

Mr. John Kiser  
Chief, Pricing and Multilateral Affairs Division,  
Office of International Aviation  
U.S. Department of Transportation  
400 Seventh Street SW  
Washington, DC 20590

**Subject: Composite Cargo Tariff Coordinating Conference, The Hague,  
27-31 May 2002**

CTC COMP 0396, Resolution 502 Worldwide Rating Resolution, Intended Effective Date: 1 October 2002; CTC COMP 0404, Resolution 502 Worldwide Rating Resolution (technical correction), Intended Effective Date: 1 October 2002; CTC COMP 0408, Composite Resolution, Intended Effective Date: 1 October 2002; CTC COMP 0410, Worldwide Area Resolution (excluding changes to rates) except Alliance Countries, Intended Effective Date: 1 October 2002; CTC COMP 0412, Worldwide Area Resolution (changes to rates) to/from USA/US Territories except Alliance Countries, Intended Effective Date: 1 October 2002; CTC COMP 0413, Worldwide Area Resolution, Alliance Countries, Intended Effective Date: 1 October 2002; CTC COMP 0418 Worldwide Area Resolutions (technical correction, changes to rates) to/from USA/US Territories except Alliance Countries, Intended Effective Date: 1 October 2002.

Dear Mr. Kiser:

Pursuant to your letter of April 29, 1992 to David O'Connor, American Airlines<sup>1</sup> hereby submits justification for the subject cargo rate agreement. The IATA carriers adopted the agreement circulated by Memorandums CTC COMP 0396, 0404, 0408, 0410, 0412, 0413 and 0418. The agreement, however, was amended by Mail Vote 244<sup>2</sup>. The subject resolutions affect cargo transported to/from the USA/US Territories and affect American's current international operations.

#### **The Agreement**

##### **MEMORANDUM CTC COMP 0396**

Resolution 502, Low Density Cargo. This Resolution was amended to meet the conditions that currently exist in the international freight market. Specifically, the density rule has changed from 6,000 cubic cm. per kg. to 5,000 cubic cm. per kg. The carriers believe the amended density more accurately reflects the current operating conditions, with respect to the different types of aircraft and capacities and the less dense nature of the commodities. Over the past few years, American has recognized that many aircraft and routes tend to "volume out" before the weight limitations are reached. Even despite very significant changes to the aircraft weights and the flight/distance uplift capabilities, there have been no adjustments to reflect these changes in the rate structures. Today, most international air cargo is carried in wide body aircraft

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<sup>1</sup>Mr. Robert M. Pryor worked with American Airlines in preparing this justification.

<sup>2</sup>Mail Vote 244 amended the agreement to eliminate all rates between the USA/US Territories and Libya. Mail Vote 244 was approved by Notice dated October 11, 2002, Docket OST-02-13560.

and the power of the engines used on these modern aircraft provides a substantial increased weight payload over much greater non-stop sectors. However, the available volume capacity has not materially changed.

In addition to the changes in aircraft capabilities, the nature of cargo tendered for air transportation has changed considerably. The large share of machinery and replacement parts has been reduced by hi-tech commodities such as computers, videos, CDs, DVDs, computer games, software, fashion (e.g., clothing and footwear), aircraft parts, mobile phones and various other electronic equipment. Much of this cargo moves by air as the preferred mode of transportation because the relatively high commodity values provide a more cost-effective option compared to traditional forms of transportation such as ocean-freight. These hi-tech goods have generally become lighter in weight due to technology advancements, higher in value and more protectively packed with lightweight packaging materials such as polystyrene.

Over the years, the density of American's cargo has decreased. In 1980, the density averaged 11 lbs. per cubic foot. Today, the average density is approximately 9 lbs. per cubic foot. This is approximately an 18% decrease in freight density. The proposed rule change serves to offset this change in cargo density. Page 1 in Attachment 1 illustrates the revenue impact associated with the density changes. Although the marketing conditions will play an important factor in determining what traffic will be impacted by this agreement, the associated revenue increases is expected to be \$4.1 million for the Atlantic division; \$3.9 million for the Latin American division and \$1.4 million for the Pacific division.

#### MEMORANDUM CTC COMP 0404

Technical correction to Resolution 502, Low Density Cargo. This Resolution was amended to reference the changes in "paragraph 1" to "paragraph 3" instead of "paragraph 2".

#### MEMORANDUM CTC COMP 0408

Resolution 012, Glossary of Terms (Indefinite). This Resolution was introduced to provide a definition of the Alliance Countries. The new definition contains a list of countries where Alliance Agreements have been established. Additionally, the terms "Caribbean Islands" and "Central America" were introduced to avoid listing all of the countries. Additionally, the definition for "Constructed Rate" was amended to include the term "add-ons". Also, the definition for "Construction" was amended. It no longer references Resolution 015aa. Additionally, the definition for "N Rate" was amended to reflect "1 kg." rather than "the under 45 kg" or "under the 100 kg" rate. None of these changes will affect American's revenue.

Resolution 014b, Construction Combination Rules for Cargo Rates (Indefinite). This Resolution was amended to reference "combination rates" rather than "construction rates through the use of add-ons". Previously, the terms "constructed" and "construction" created misunderstandings and confusion. Although these terms had different meanings, they were used interchangeably. Although it was understood that the term "constructed rate" referred to unspecified through rates

established by the use of add-on amounts rather than through the combination of sector rates, the problems related to Resolution 014b and the lack of any clear rules relating to the application of add-on amounts. As a result, the changes helped to clarify Resolution 014b and make it applicable only for the combined rates rather than the use of add-on amounts. Therefore, Resolution 015aa was re-drafted to clearly identify the rules applicable to the use of add-on amounts. Also, Resolution 012 was amended to ensure the terms "constructed rate" and "constructed" were unique.

Resolution 015aa, Add-On Amounts. This Resolution was amended to use the term "Add-Ons" rather than "Add-On Amounts". In addition, this Resolution was amended to correctly reference the Attachments and to eliminate the term "Combination".

The Attachments were amended to reflect:

- i.) Simplification of add-ons in Brazil. This Resolution was amended to provide a simplification and clarification of the add-ons in Brazil. Previously, it was necessary to compare several add-ons in Brazil. This process was very time consuming and confusing and did not allow carriers to automate the process. For these reasons, the constructions over Belem and Recife were eliminated and the constructions over Rio de Janeiro and Sao Paulo were retained. Also, because of these changes, the note "0567" (e.g., "USE CONSTRUCTION WHICH PRODUCES THE LOWEST THROUGH RATE") was eliminated. Because of the simplification, American Airlines expects the add-ons for Belo Horizonte to increase its annual revenues by \$412,000. However, since American Airlines has very little interline traffic to/from the cities north of Rio de Janeiro, American does not expect any other revenue impacts.
- ii.) Deletion of add-ons bearing a note. There should be no impact from the deletion of add-ons bearing a note. These changes were administrative in order to clean up tables cluttered with unused rates.
- iii.) Re-alignment of US add-ons to/from the Pacific. This Resolution was amended to re-align the add-ons for the USA/US Territories to/from the Pacific. Because of the re-alignment, the add-ons between the USA/US Territories and the Southwest Pacific increased. Additionally, the add-ons for San Francisco, Seattle and Portland increased to/from TC3. All other add-ons decreased. Since American only serves Tokyo in TC3, American will be unaffected by these increases, however, American expects the reductions in the add-ons to decrease annual revenues by \$330,000.
- iv.) Introduction of add-ons in TC1 and TC2 for ITO and MKK. This Resolution introduced add-ons of \$0.20 per kg. in TC1 and TC2 for ITO and MKK. Based upon this change, the rates are less than a construction with the local rates.

These changes are shown in Attachment 1 on pages 2 through 5.

Resolution 033c, Construction Establishment of Through Cargo Rates and Charges. This resolution was amended to change the term "Construction" to "Establishment". This change has no revenue impact on American Airlines.

Resolution 033e, Rules for Payment of Cargo Rates, Charges and Other Amounts. This resolution deletes the cross-reference to Resolution 033f that was rescinded. This change has no revenue impact on American Airlines.

Resolution 033f, Administrative Provisions for the Review and Monitoring of Currency Levels. This Resolution was rescinded and has no revenue impact on American Airlines.

Resolution 045a, TC3 Cargo Charters (except US Territories). This Resolution was rescinded and has no revenue impact on American Airlines.

Resolution 116aa, Cargo Rates Enabling Facility and Board. This Resolution was amended to specify the area of application, to delete the provisions for a Cargo Rates Board, and to eliminate the link to Resolution 116bb. Additionally, it was amended to require a GCR structure before a SCR filing could be made. Also, the resolution was amended to prohibit the use of notes with an industry rate.

Resolution 116bb, Special Enabling Resolution. This Resolution was amended to prohibit filings by Alliance carriers to/from Alliance Countries. Additionally, it was amended to eliminate the link to Resolution 116aa and to exclude the application for which Resolution 116aa applies. Additionally, it was amended to require a GCR structure before a SCR filing could be made.

Resolution 116f, GCRs Special Provisions Resolution from Japan. This Resolution was re-worded to clarify the terms "Construction" and "Combination" and will have no effect on American's revenue.

Resolution 501, Minimum Charges for Cargo. This Resolution was amended in order to preclude the application of those areas in Europe covered by Resolution 500. The Attachment was amended as follows:

- i.) Introduce Minimum Charges where current charges are incomplete, excluding those to/from the USA/US Territories
- ii.) Increase the Minimum Charges from the USA/US Territories to Japan. This Resolution was amended to increase the Minimum Charges from the USA/US Territories to Japan. The carriers agreed the increases were necessary to offset the escalating costs for minimum shipments and to obtain the necessary interline settlement amounts. The other changes introduced in this Resolution do not involve the USA/US Territories and have no revenue impact on American Airlines. Attachment 1 on page 6 shows the rate comparison for the present charges vs. the proposed charges. American estimates that this change will generate \$50,000 annually.

Resolution 501b, International Priority Service. This Resolution was combined with Resolutions 501b/501bb/501c. Although all of these Resolutions had the same text, they applied to different areas,

therefore no changes were made to the application, except that the expiry date was changed to an "indefinite" date.

Resolution 501d, International Priority Service (TC3 and TC23/123). This Resolution was combined with Resolutions 501d/501ff. Although all of these Resolutions had the same text, they applied to different areas, therefore no changes were made to the application, except that the expiry date was changed to an "indefinite" date.

Resolution 503, Charges in Relation to Value. Previously, the Attachment for Resolution 503 was disapproved by the US DOT in Order 2001-3-24. However, in order to establish a local currency equivalent for SDR17, a conversion program was developed. This will require IATA to circulate the Attachment (e.g., referencing the local currency equivalents) three (3) times per year. In order to determine the currency equivalent for SDR17, this Resolution will use the same procedures that are currently used to establish constructed rates.

Resolution 509, Charges for Disbursements. This Resolution was amended to clarify the Zambian exception. Additionally, Switzerland was deleted from the Attachment since it falls under the definition of the ECAA and is covered by Resolution 509e.

Resolution 509e, Charges for Disbursements ECAA. This Resolution was amended to delete the Zambian and Algerian exceptions.

Resolution 511b, Rates for Live Animals. Not applicable to/from USA/US Territories. This Resolution was amended to simplify the rates for Live Animals. It was accomplished by eliminating the exceptions and by standardizing the rates. Additionally, this Resolution was amended to preclude the application of those areas in Europe covered by Resolution 500.

Resolution 511b, Rates for Live Animals to/from USA/US Territories. This Resolution was established to incorporate the same rules amended in Resolution 511, however, the rates for live animals will change. A comparison of the rates, which are shown in Attachment 1 on pages 7 and 8, shows that the rates between points in TC1 will increase and the rates between points in TC12 and TC31 will decrease. The offsetting rates should have no impact to American's revenues.

Resolution 512c, Charge for Preparation of Air Waybill. This Resolution was amended to use the term "Central America" and no longer shows a list of countries in Central America.

Resolution 513, Charges on Mixed Consignments. This Resolution standardizes the exclusions for "automotive vehicles" and "dangerous goods". This exclusion is not expected to affect American's revenues.

Resolution 518, Dangerous Goods Handling Fee. This Resolution was amended in order to simplify the notes used for AA and LH. Also, Switzerland was deleted in the Attachment (since it falls under the definition of the ECAA). Also, the definition of "Netherlands Antilles" was deleted.

Resolution 519, Fee for Charges Collect. Switzerland was deleted in the Attachment (since it falls under the definition of the ECAA) and is covered by Resolution 519e.

Resolution 593, Carriage of Automotive Vehicles. This Resolution was combined from three other Resolutions to form a single Resolution. Although no changes were made to the application, the expiry date was changed to an "indefinite" date.

Resolution 595, Special Rates for Valuable Cargo. This Resolution was amended to simplify the rates for Valuable Cargo. It was accomplished by eliminating the exceptions and by standardizing the rates. This Resolution, however, precludes the application of those areas in Europe covered by Resolution 500. Previously, many areas applied different percentages to the N rate (e.g., TC1/TC12 to/from Brazil; TC12/TC123 North Atlantic TC31 North and Central Pacific) and applied different rate structures for shipments greater than 1000 kgs. These exceptions, however, were eliminated. In addition to these changes, this Resolution was amended to increase the percentage of the N rate from Russia to 300%. However, since American Airlines does not serve Russia, it foresees no measurable effect from this change. On the other hand, American expects the other changes to increase annual revenues by \$100,000. A comparison of these charges is shown in Attachment 1 on pages 9 and 10.

Resolution 596, Newspapers and Periodicals. This Resolution was amended to simplify the rates for Newspapers and Periodicals. It was accomplished by eliminating the exceptions and by standardizing the rates. This Resolution, however, precludes the application of those areas in Europe covered by Resolution 500. Additionally, the standard charge for TC1 and TC1/2 was increased from 50% of the N rate to 67% of the N rate. However, since the exception table already specified an amount that was equal to or greater than 67%, there is no change for this Resolution. As a result, there should be no effect on American's revenue.

Resolution 597, Carriage of Human Remains. This Resolution was amended to simplify the rates for the Carriage of Human Remains. It was accomplished by eliminating the exceptions and by standardizing the rates. In doing so, there was a reduction of rates from the USA/US Territories to Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay.

Resolution 597, Carriage of Human Remains (TC2). This Resolution was amended to simplify the rates for the Carriage of Human Remains. It was accomplished by eliminating the exceptions and by standardizing the rates. Additionally, this Resolution was amended to preclude the application of those areas in Europe covered by Resolution 500.

#### MEMORANDUM CTC COMP 0410

The following Resolutions represent the Area Resolutions (excluding the changes to rates) reached for a worldwide application, except for the Alliance Countries.

Resolution 002, Revalidating Resolution. This Resolution revalidated Resolutions 501a/501aa/508aa.

Resolution 500, Special Rates System Resolution Within Europe except between Countries in the ECAA. This resolution was revalidated,

however, it was amended to simplify the area of application. Additionally, it updated the reference to the Resolution.

Resolution 501e, International Express Service between Japan and Canada/USA. This Resolution was revalidated, however, it was amended to clarify that only one of the reasons (in the Resolution) absolves the TC Member from responsibility, rather than all of them.

Resolution 508a, Charges for Animal ULDs TC3 (except South West Pacific)-TC1. This Resolution was revalidated, however, it was amended to clarify the area of application. No changes were made to the charges in the Resolution.

Resolution 530, Rates and/or Charges for Unitized Consignments. This Resolution was revalidated, however, it was amended to clarify the application of the combination and construction rules.

Resolution, 550 GCRs. This Resolution was revalidated, however, it was amended to preclude the application of those areas in Europe covered by Resolution 500.

Resolution 590, SCRs. Specified Rates. This Resolution was revalidated, however, it was amended to preclude the application of those areas in Europe covered by Resolution 500. Also, it was amended to clarify the application of the combination and construction rules.

#### MEMORANDUM CTC COMP 0412

The following Resolutions represent the rating changes reached for worldwide application to/from USA/US Territories except between USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadaloupe, Iceland, Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion, Scandinavia.

Resolution 002, Amending Resolution to/from USA/US Territories except Alliance Countries. During previous Composite Cargo Meetings, members complained about the numeric notes attached to IATA rates. Specifically, the members found the notes restrictive and complicated, especially for those using automated systems. As a result, members agreed that notes should no longer be attached to IATA rates (since a carrier still has the option to apply a flagged rate). The changes that were agreed to are reflected in this Resolution.

Resolution 501a, Small Package Service Japan/Canada/ Mexico/USA. This Resolution was revalidated, however, the "total value" was amended. This resolution has no revenue impact on American Airlines.

Resolution 501aa, Small Package Service except USA-Belgium/Chile /Germany/Italy/Sweden/ Switzerland, except between Countries in the ECAA. This Resolution was revalidated, however, the "total value" was amended from specific countries. The rates in this Resolution remain unchanged, therefore, it has no revenue impact on American Airlines.

Resolution 530, Rates and/or Charges for Unitized Consignments. This Resolution was revalidated, however, it was amended to clarify the application in the Attachments. In addition, the Resolution was amended to clarify the "Combination" and "Construction" rules.

Additionally, a charge of \$60.00 was established for a Type 4 container for TC1. Since a Type 4 container is a main deck pallet, and American does not carry any main deck cargo, American will be unaffected by this change.

Resolution 550, GCRs. This Resolution was revalidated, however, it precludes the application for those areas in Europe covered by Resolution 500. Also, the General Cargo Rates (e.g., GCRs) from Honolulu to Ho Chi Minh City were introduced, even though the rates were lower than the previously constructed GCRs. Also, the GCR weight breaks for the 650, 2000 and 3000 kg. were deleted from the USA/US Territories to Japan. All of these changes, however, are reflected in the Attachment for Resolution 002a. Additionally, a comparison of these rates is shown in Attachment 1 on page 11. Based upon these changes, American estimates the annual revenues will increase by approximately \$775,000.

Resolution 590, SCRs. Specified Rates. This Resolution was revalidated, however, it was amended to clarify the application of the "construction" and "combination" rates. Also, it was amended to preclude the application for those areas in Europe covered by Resolution 500. Also, all of the notes attached to the IATA rates were deleted from the GS/SS/US/CS rates, except for 0451, 0452, 0453, 0454, 0651, 0652, 0653, 0657, 0658, 0659, 0660, 0661, 0662, and 0663 (as shown in Resolution 002). Also, members were provided a list of rates (from the IATA database) where the IATA SCRs had no corresponding IATA GCRS (for the same pair of points). This allowed the members to make the necessary changes. Also, with the incorporation of the facility between the Alliance Countries, the exclusion of these countries (in the area) was deleted. All of these changes are shown in Resolution 002, however, they are not expected to affect American's revenues.

#### MEMORANDUM CTC COMP 0413

The following Resolutions represent the rating agreements reached for application between the USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadeloupe, Iceland, Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion and Scandinavia.

Resolution 001aa, Special Applicability Resolution Alliance Countries. This Resolution was amended to list the carriers who are not bound by the Agreement and did not participate in the development of the agreement.

Resolution 002, Amending Resolution - Alliance Countries. This Resolution was amended, however, it only lists the changes to the previous rating structure. No general increases were developed and the General Cargo Rates from Panama City to Atlanta at 100 and 500 kilos were deleted. Additionally, the Specific Commodity Rate for 9720 from Dresden to San Juan was deleted. With the incorporation of the previous resolutions (specific to the Alliance Countries) back into the standard resolutions, it was necessary to transfer all of the rates to the new Resolutions.

Resolution 501aa, Small Package Service except between Countries in the ECAA. This Resolution replaces Resolution 501ff and amends the



"total value" when a shipment is transported on a Small Package Service from certain countries. The rates in the tables remain unchanged.

Resolution 530, Rates and/or Charges for Unitized Consignments. This Resolution replaces Resolution 584ff and reflects no changes to the previous Resolution. All of the flagged rates were deleted for the carriers that participate in an Alliance (as per Resolution 530 and Resolution 001aa).

Resolution 550, GCRs. This Resolution was amended to delete all of the flagged General Commodity Rates for the carriers participating in an Alliance Agreement to/from the Alliance countries (as per Resolution 001aa). Additionally, the General Cargo Rates from Panama City to Atlanta at the 100 and 500 kg. weight breaks were deleted, since these rates were higher than the constructed rates over MIA.

Resolution 590, SCRs. This Resolution was amended to delete all of the flagged Specific Commodity Rates for the carriers participating in an Alliance Agreement to/from the Alliance countries (as per Resolution 001aa). Additionally, the Specific Commodity Rates from Dresden to San Juan for item "9720" were deleted. These changes have no revenue impact on American Airlines.

MEMORANDUM CTC COMP 0418

A technical correction was made to Resolution 530 to clarify that it applies to/from the USA/US Territories.

Cargo Rate Increase Revenue Summary

The following table summarizes the freight revenue impact, by division, associated with the changes proposed at the Composite Cargo Tariff Coordinating Conference.

<b>Resolution</b>	<b>Atlantic</b>	<b>Latin America</b>	<b>Pacific</b>
Resolution 502, Low Density Cargo	\$4,054,000	\$3,869,000	\$1,384,000
Resolution 015aa, Add-On Amounts	-	\$412,000	(\$330,000)
Resolution 501, Minimum Charges for Cargo	-	-	\$50,000
Resolution 595, Special Rates for Valuable Cargo	\$100,000	-	-
Resolution 550, GCRs (Deletion of 650, 2,000 and 3,000 weight breaks)	-	-	\$775,000
<b>Total Revenue Impact</b>	<b>\$4,154,000</b>	<b>\$4,281,000</b>	<b>\$1,879,000</b>

American's Results

The financial results for American Airlines in the Atlantic, Latin American and Pacific divisions are summarized in Attachment 2 on page 1. The historic results are based on the fiscal year ending June 2001. This period was chosen because it was the last quarter before September 11, 2001. Briefly, the disruption to the industry since September 11<sup>th</sup> has made the historic data (for the quarters following September 11<sup>th</sup>) unreliable indicators of the future activity. As a result, the forecasted results are shown for the fiscal year ending September 30, 2003 (e.g., the first full year the subject agreement is in effect<sup>3</sup>). The estimated financial results for this period assume the fuel costs will remain at the same levels (as the historic year). All other expenses are estimated to increase 3% annually.

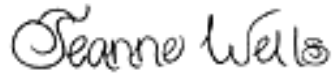
Pages 2 through 20 in Attachment 2 show the detailed financial information in support of the summary data shown on page 1.

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<sup>3</sup>The intended effective date for the agreement was October 1, 2002. Although the actual implementation date has not yet been determined, the agreement is subject to all required government approvals. The forecasted financial results have been illustrated with the fiscal year ending September 30, 2003.

If you have any comments or questions, you may call me at (817) 931-5778, or you may call Mr. Pryor at (516) 671-9314.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jeanne Wells". The ink is dark and the handwriting is fluid.

Jeanne Wells

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates Between The United States And Japan  
Resolution 502, Low Density Cargo

### Present Rates- 166 Cubic Inches per pound or 6,000 Cubic Centimeters per Kilogram

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	1,433.0	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	92	207	459	1,377	2,295	2,984	4,590	9,180	13,770
<u>Charges</u>									
Chicago-Tokyo	\$375	\$651	\$1,280	\$3,073	\$4,685	\$5,834	\$8,765	\$16,989	\$24,672
New York-London	\$351	\$636	\$1,014	\$1,980	\$3,300	\$4,291	\$6,600	\$13,200	\$19,800
London-New York	£185	£416	£493	£918	£1,416	£1,841	£2,832	£5,663	£8,495
Rio de Janiero-Miami	\$190	\$428	\$435	\$1,305	\$2,176	\$2,829	\$4,351	\$8,703	\$13,054

### Proposed Rates- 138 Cubic Inches per pound or 5,000 Cubic Centimeters per Kilogram

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	1,433.0	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	111	249	553	1,657	2,761	3,589	5,522	11,043	16,564
<u>Charges</u>									
Chicago-Tokyo	\$453	\$783	\$1,543	\$3,698	\$5,636	\$7,017	\$10,545	\$20,437	\$29,678
New York-London	\$423	\$765	\$1,222	\$2,383	\$3,970	\$5,161	\$7,940	\$15,879	\$23,817
London-New York	£223	£500	£594	£1,105	£1,703	£2,214	£3,406	£6,812	£10,218
Rio de Janiero-Miami	\$230	\$515	\$524	\$1,571	\$2,617	\$3,402	\$5,235	\$10,469	\$15,703

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Chicago-Tokyo	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
New York-London	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
London-New York	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
Rio de Janiero-Miami	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%

Source: IATA rate tables.

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Brazilian Interior Points  
Resolution 115aa- Add-ons

### U.S. Originating

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	300	500
Miami-Belo Horizont	\$7.56	\$6.00	\$5.14	\$3.78	\$3.49
Miami-Brazalia	\$7.27	\$5.70	\$4.92	\$4.81	\$3.18
Miami-Porto Alegre	\$8.26	\$6.60	\$5.14	\$4.22	\$3.86
Miami-Manaus	\$6.81	\$5.32	\$4.49	\$3.23	\$3.00

### Proposed Rates

	N	45	100	300	500
Miami-Belo Horizont	\$7.86	\$6.70	\$6.11	\$5.52	\$4.62
Miami-Brazalia	\$9.43	\$7.28	\$6.13	\$5.07	\$4.75
Miami-Porto Alegre	\$9.54	\$7.37	\$6.20	\$5.14	\$4.80
Miami-Manaus	\$10.22	\$7.96	\$6.65	\$5.56	\$5.16

### Per Cent Change

	N	45	100	300	500
Miami-Belo Horizont	4.0%	11.7%	18.9%	46.0%	32.4%
Miami-Brazalia	29.7%	27.7%	24.6%	5.4%	49.4%
Miami-Porto Alegre	15.5%	11.7%	20.6%	21.8%	24.4%
Miami-Manaus	50.1%	49.6%	48.1%	72.1%	72.0%

Average Change            24.8%            25.2%            28.0%            36.3%            44.5%

Source: IATA Rate Tables

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From Brazilian Interior Points To The United States  
Resolution 115aa- Add-ons

### Brazil Originating

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	500
Belo Horizont-Miami	\$4.25	\$3.46	\$2.24	\$1.93
Brazalia-Miami	\$3.01	\$2.20	\$1.79	\$1.58
Porto Alegre-Miami	\$4.56	\$3.80	\$2.13	\$1.86
Manaus-Miami	\$3.50	\$2.78	\$2.09	\$1.81

### Proposed Rates

	N	45	100	500
Belo Horizont-Miami	\$4.79	\$3.70	\$2.24	\$1.93
Brazalia-Miami	\$3.01	\$2.20	\$1.79	\$1.58
Porto Alegre-Miami	\$4.86	\$3.80	\$2.13	\$1.86
Manaus-Miami	\$3.78	\$2.97	\$2.09	\$1.81

### Per Cent Change

	N	45	100	500
Belo Horizont-Miami	12.7%	6.9%	0.0%	0.0%
Brazalia-Miami	0.0%	0.0%	0.0%	0.0%
Porto Alegre-Miami	6.6%	0.0%	0.0%	0.0%
Manaus-Miami	8.0%	6.8%	0.0%	0.0%

Average Change                  6.8%                  3.4%                  0.0%                  0.0%

Source: IATA Rate Tables

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Tokyo  
Resolution 115aa- Add-ons

### U.S. Originating

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Amarillo-Tokyo	\$9.29	\$7.23	\$6.45	\$5.22	\$4.80	\$4.51
Fresno-Tokyo	\$8.05	\$6.29	\$5.62	\$4.56	\$4.21	\$3.96
Waco-Tokyo	\$9.29	\$7.23	\$6.45	\$5.22	\$4.80	\$4.51
Portland, Me-Tokyo	\$9.46	\$7.36	\$6.57	\$5.30	\$4.88	\$4.59

Proposed Rates

	N	45	100	300	500	1000
Amarillo-Tokyo	\$9.19	\$7.13	\$6.35	\$5.12	\$4.70	\$4.41
Fresno-Tokyo	\$7.95	\$6.19	\$5.52	\$4.46	\$4.11	\$3.86
Waco-Tokyo	\$9.19	\$7.13	\$6.35	\$5.12	\$4.70	\$4.41
Portland, Me-Tokyo	\$9.36	\$7.26	\$6.47	\$5.20	\$4.78	\$4.49

Per Cent Change

	N	45	100	300	500	1000
Amarillo-Tokyo	-1.1%	-1.4%	-1.6%	-1.9%	-2.1%	-2.2%
Fresno-Tokyo	-1.2%	-1.6%	-1.8%	-2.2%	-2.4%	-2.5%
Waco-Tokyo	-1.1%	-1.4%	-1.6%	-1.9%	-2.1%	-2.2%
Portland, Me-Tokyo	-1.1%	-1.4%	-1.5%	-1.9%	-2.0%	-2.2%

Average Change      -1.1%    -1.4%    -1.6%    -2.0%    -2.1%    -2.3%

Source: IATA Rate Tables

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From Tokyo To The United States  
Resolution 115aa- Add-ons

### Japan Originating

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Tokyo-Amarillo	¥1,899	¥1,439	¥1,309	¥1,239	¥1,139	¥1,069
Tokyo-Fresno	¥1,629	¥1,239	¥1,119	¥1,069	¥989	¥919
Tokyo-Portland, Me	¥1,939	¥1,459	¥1,329	¥1,269	¥1,169	¥1,089
Tokyo-Waco	¥1,899	¥1,439	¥1,309	¥1,239	¥1,139	¥1,069

### Proposed Rates

	N	45	100	300	500	1000
Tokyo-Amarillo	¥1,886	¥1,426	¥1,296	¥1,226	¥1,126	¥1,056
Tokyo-Fresno	¥1,616	¥1,226	¥1,106	¥1,056	¥976	¥906
Tokyo-Portland, Me	¥1,926	¥1,446	¥1,316	¥1,256	¥1,156	¥1,076
Tokyo-Waco	¥1,886	¥1,426	¥1,296	¥1,226	¥1,126	¥1,056

### Per Cent Change

	N	45	100	300	500	1000
Tokyo-Amarillo	-0.7%	-0.9%	-1.0%	-1.1%	-1.1%	-1.2%
Tokyo-Fresno	-0.8%	-1.1%	-1.2%	-1.2%	-1.3%	-1.4%
Tokyo-Portland, Me	-0.7%	-0.9%	-1.0%	-1.0%	-1.1%	-1.2%
Tokyo-Waco	-0.7%	-0.9%	-1.0%	-1.1%	-1.1%	-1.2%

Average Change      -0.7%    -0.9%    -1.0%    -1.1%    -1.2%    -1.3%

Source: IATA Rate Tables



## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 501, Minimum Charges for Cargo

### U.S. Originating

Present Rates-Minimum Charge \$55.00 IATA Rate

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Chicago-Tokyo	\$55.00	\$62.93	\$71.92	\$80.91	\$89.90	\$107.88	\$125.86	\$143.84	\$161.82
Dallas-Tokyo	\$55.00	\$62.93	\$71.92	\$80.91	\$89.90	\$107.88	\$125.86	\$143.84	\$161.82
New York-Tokyo	\$55.00	\$64.12	\$73.28	\$82.44	\$91.60	\$109.92	\$128.24	\$146.56	\$164.88
San Jose-Tokyo	\$55.00	\$55.00	\$62.00	\$69.75	\$77.50	\$93.00	\$108.50	\$124.00	\$139.50

Proposed Rates-Minimum Charge \$125.00

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Chicago-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.86	\$143.84	\$161.82
Dallas-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.86	\$143.84	\$161.82
New York-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$128.24	\$146.56	\$164.88
San Jose-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$139.50

Per Cent Change

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Chicago-Tokyo	127.3%	98.6%	73.8%	54.5%	39.0%	15.9%	0.0%	0.0%	0.0%
Dallas-Tokyo	127.3%	98.6%	73.8%	54.5%	39.0%	15.9%	0.0%	0.0%	0.0%
New York-Tokyo	127.3%	94.9%	70.6%	51.6%	36.5%	13.7%	0.0%	0.0%	0.0%
San Jose-Tokyo	127.3%	127.3%	101.6%	79.2%	61.3%	34.4%	15.2%	0.8%	0.0%

Average Change	127.3%	104.9%	79.9%	60.0%	44.0%	20.0%	3.8%	0.2%	0.0%
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Source: IATA tables.

**American Airlines**  
Comparison Of Present And Proposed General  
Commodity Rates From The United States To Selected Foreign Points  
Resolution 511-Live Animals

**U.S. Originating**

Present American Airlines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Dallas-London	\$10.07	\$906.30	\$2,014.00	\$6,042.00
Dallas-Tokyo	\$8.99	\$809.10	\$1,798.00	\$5,394.00
Miami-Rio De Janeiro	\$8.95	\$604.12	\$1,342.50	\$4,027.50

Proposed Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Dallas-London	\$10.07	\$793.01	\$1,762.25	\$5,286.75
Dallas-Tokyo	\$8.99	\$606.83	\$1,348.50	\$4,045.50
Miami-Rio De Janeiro	\$8.95	\$704.81	\$1,566.25	\$4,698.75

Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
Dallas-London	N/A	-12.5%	-12.5%	-12.5%
Dallas-Tokyo	N/A	-25.0%	-25.0%	-25.0%
Miami-Rio De Janeiro	N/A	16.7%	16.7%	16.7%

Average Change	N/A	-6.9%	-6.9%	-6.9%
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Source: American Airlines and IATA Rate Tables

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From Selected Foreign Points To The United States  
Resolution 511-Live Animals

### Foreign Originating

#### Present American Airlines Charge

Weight Of Animal (kgs)	N Rate	45	100	300
London-Dallas	£5.30	£477	£1,060	£3,180
Tokyo-Dallas	¥1,880	¥169,200	¥376,000	¥1,128,000
Rio De Janeiro-Miami	\$4.56	\$308	\$684	\$2,052

#### Proposed Charge

Weight Of Animal (kgs)	N Rate	45	100	300
London-Dallas	£5.30	£417	£928	£2,783
Tokyo-Dallas	¥1,880	¥126,900	¥282,000	¥846,000
Rio De Janeiro-Miami	\$4.56	\$359	\$798	\$2,394

#### Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
London-Dallas	N/A	-12.5%	-12.5%	-12.5%
Tokyo-Dallas	N/A	-25.0%	-25.0%	-25.0%
Rio De Janeiro-Miami	N/A	16.7%	16.7%	16.7%

Average Change	N/A	-6.9%	-6.9%	-6.9%
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Source: American Airlines and IATA Rate Tables

**American Airlines**  
Comparison Of Present And Proposed General  
Commodity Rates From The United States To Selected Foreign Points  
Resolution 595-Valuable Cargo  
**U.S. Originating**

Present American Airlines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
Dallas-London	\$10.07	\$680	\$1,511	\$4,532	\$7,553	\$15,105
Dallas-Tokyo	\$8.99	\$809	\$1,798	\$5,394	\$8,990	\$17,980
Miami-Rio De Janeiro	\$8.95	\$805	\$1,790	\$5,370	\$8,950	\$17,900

Proposed American Airlines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
Dallas-London	\$10.07	\$906	\$2,014	\$6,042	\$10,070	\$20,140
Dallas-Tokyo	\$8.99	\$809	\$1,798	\$5,394	\$8,990	\$17,980
Miami-Rio De Janeiro	\$8.95	\$805	\$1,790	\$5,370	\$8,950	\$17,900

Per Cent Change

Weight Of Valuable Cargo (kgs)	N	45	100	300	500	1000
Dallas-London	N/A	33.3%	33.3%	33.3%	33.3%	33.3%
Dallas-Tokyo	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Miami-Rio De Janeiro	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Average Change	N/A	11.1%	11.1%	11.1%	11.1%	11.1%
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Source: American Airlines and IATA Rate Tables

**American Airlines**  
Comparison Of Present And Proposed General  
Commodity Rates From Selected Foreign Points ToThe United States  
Resolution 595-Valuable Cargo  
**Foreign Originating**

Present American Airlines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
London-Dallas	£5.30	£477	£1,060	£3,180	£5,300	£10,600
Tokyo-Dallas	¥1,880	¥169,200	¥376,000	¥1,128,000	¥1,880,000	¥3,760,000
Rio De Janeiro-Miami	\$4.56	\$410	\$912	\$2,736	\$4,560	\$9,120

Proposed American Airlines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
London-Dallas	£5.30	£477	£1,060	£3,180	£5,300	£10,600
Tokyo-Dallas	¥1,880	¥169,200	¥376,000	¥1,128,000	¥1,880,000	¥3,760,000
Rio De Janeiro-Miami	\$4.56	\$410	\$912	\$2,736	\$4,560	\$9,120

Per Cent Change

Weight Of Valuable Cargo (kgs)	N	45	100	300	500	1000
London-Dallas	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Tokyo-Dallas	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Rio De Janeiro-Miami	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Average Change                      N/A              0.0%              0.0%              0.0%              0.0%              0.0%

Source: American Airlines and IATA Rate Tables

## American Airlines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 550-Deletion of the 650, 2000 and 3000 kg Rates From The U.S. To Japan

### U.S. Originating

#### Present Rates

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Tokyo	\$8.99	\$6.93	\$6.15	\$4.92	\$4.50	\$4.31	\$4.21	\$4.08	\$3.95
Dallas-Tokyo	\$8.99	\$6.93	\$6.15	\$4.92	\$4.50	\$4.31	\$4.21	\$4.08	\$3.95
New York-Tokyo	\$9.16	\$7.06	\$6.27	\$5.00	\$4.58	\$4.39	\$4.29	\$4.16	\$4.03
San Jose-Tokyo	\$7.75	\$5.99	\$5.32	\$4.26	\$3.91	\$3.74	\$3.66	\$3.55	\$3.45

#### Proposed Rates

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Tokyo	\$8.99	\$6.93	\$6.15	\$4.92	\$4.50	\$4.50	\$4.21	\$4.21	\$4.21
Dallas-Tokyo	\$8.99	\$6.93	\$6.15	\$4.92	\$4.50	\$4.50	\$4.21	\$4.21	\$4.21
New York-Tokyo	\$9.16	\$7.06	\$6.27	\$5.00	\$4.58	\$4.58	\$4.29	\$4.29	\$4.29
San Jose-Tokyo	\$7.75	\$5.99	\$5.32	\$4.26	\$3.91	\$3.91	\$3.66	\$3.66	\$3.66

#### Per Cent Change

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	0.0%	3.2%	6.6%
Dallas-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	0.0%	3.2%	6.6%
New York-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	0.0%	3.1%	6.5%
San Jose-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	0.0%	3.1%	6.1%

Average Change      -           -           -           -           -           4.4%      -           3.1%      6.4%

Source: IATA rate tables.

# American Airlines

## SUMMARY OF COMBINATION SERVICE FREIGHT FINANCIAL RESULTS

	HISTORIC YEAR ENDING <u>June 30, 2001</u> (\$MILLIONS)	FORECAST YEAR ENDING <u>September 30, 2003</u> (\$MILLIONS)
<b><u>Atlantic Division</u></b>		
OPERATING PROFIT	(\$96.4)	(\$99.2)
NET INCOME	(\$65.6)	(\$67.5)
INVESTMENT BASE	\$187.8	\$192.9
RETURN ON INVESTMENT		
TOTAL	(\$62.6)	(\$64.5)
PER CENT	-33.3%	-33.4%
<b><u>Latin American Division</u></b>		
OPERATING PROFIT	(\$62.8)	(\$75.1)
NET INCOME	(\$42.0)	(\$50.1)
INVESTMENT BASE	\$153.4	\$167.4
RETURN ON INVESTMENT		
TOTAL	(\$41.2)	(\$49.3)
PER CENT	-26.9%	-29.4%
<b><u>Pacific Division</u></b>		
OPERATING PROFIT	\$13.4	\$8.6
NET INCOME	\$8.7	\$5.6
INVESTMENT BASE	\$39.1	\$32.9
RETURN ON INVESTMENT		
TOTAL	\$8.9	\$5.7
PER CENT	22.8%	17.4%

SOURCE: Pages 2-20.

**American's U.S.-Atlantic Service Financial Results by Product Line**

Fiscal Year Ended June 2001

Operating Revenue	Total Atlantic Form 41	Exclusion 1/	U.S. Scheduled Service Financial Results			
			Total	Passenger	Cargo	Mail
Passenger	\$2,049,367,000		\$2,049,367,000	\$2,049,367,000		
Mail	\$23,815,000		\$23,815,000		23,815,000	
Freight	\$162,215,000		\$162,215,000		162,215,000	
Excess Baggage	\$5,136,000		\$5,136,000			
Charter-Passenger	\$209,000	209,000		5,136,000		
-Property						
Other Transport	11,309,000	1,069	\$11,307,931	10,478,518	829,414	829,414
Transport Related Revenues	\$89,563,000	8,464	\$89,554,536	82,985,895	6,568,641	6,568,641
Total Operating Revenues	\$2,341,614,000	218,533	2,341,395,467	2,147,967,412	193,428,055	169,613,055
\$2,341,614,000						
<b>Operating Expense</b>						
Fuels	313,215,000	29,587	313,185,413	265,503,717	47,681,696	43,978,929
Rentals - Flight	47,385,000		47,385,000	39,882,332	7,502,668	582,627
Flight Personnel	238,266,000	19,026	238,246,974	202,051,108	36,195,866	2,810,824
Other Flying Operations	26,618,000	3,111	26,614,889	22,427,935	4,186,954	325,142
Maintenance - Flight	181,402,000	8,949	181,393,051	152,999,199	28,393,851	2,204,951
Maintenance - Ground	48,262,000	4,699	48,257,301	40,941,636	7,315,665	568,105
Passenger Service	382,030,000	40,722	381,989,278	381,989,278	-	-
Aircraft and Traffic Servicing	392,148,000	35,923	392,112,077	288,383,594	103,728,483	8,055,132
Promotion and Sales	243,393,000	19,505	243,373,495	231,916,496	11,456,999	11,456,999
General and Administrative	124,698,000	9,841	124,688,159	105,787,640	18,900,519	17,432,781
Depreciation/Amortization - Flight	136,595,000	12,729	136,582,271	115,656,431	20,925,839	1,625,016
Depreciation/Amortization - Ground	7,499,000	730	7,498,270	6,361,554	1,136,716	88,273
Amortization - Preoperating Costs	17,483,000	1,380	17,481,620	14,831,716	2,649,904	205,781
Transport Related Expense	(35,614,000)	(3,366)	(35,610,634)	(32,998,421)	(2,612,214)	(202,854)
Total with Historic Costs	2,123,380,000	182,836	2,123,197,164	1,835,734,218	287,462,946	21,433,500
Fuel Cost Escalation						
Non-Fuel Cost Escalation						
Total Operating Expense	2,123,380,000	182,836	2,123,197,164	1,835,734,218	287,462,946	21,433,500
Operating Profit or (Loss)	218,234,000	35,696	218,198,304	312,233,195	(94,034,891)	2,381,500
Interest Expense	23,628,000	2,035	23,625,965	20,427,209	3,198,756	238,502
Taxable Income	194,606,000	33,662	194,572,338	291,805,985	(97,233,647)	2,142,998
Income Tax @34%	66,166,040	11,445	66,154,595	99,214,035	(33,059,440)	728,619
Net Income after Income Tax	128,439,960	22,217	128,417,743	192,591,950	(64,174,207)	1,414,379
<b>Return</b>						
Investment	1,510,648,102	130,285	1,510,517,816	1,307,552,227	202,965,589	15,138,957
Return on Investment	152,067,960	24,251	152,043,709	213,019,160	(60,975,451)	1,652,881
% Return	10.1%	18.6%	10.1%	16.3%	-30.0%	10.9%

1/ Charter and nonrevenue flying.



American's Atlantic Scheduled Combination Service Financial Results

Forecast Year Ended September 2003

	Present Rates			Proposed Rates		
	Cargo	Mail	Freight	Cargo	Mail	Freight
<b>Operating Revenue</b>						
Mail	20,180,335	20,180,335		20,180,335	20,180,335	
Freight	162,150,771		162,150,771	166,304,771		166,304,771
Excess Baggage						
Charter-Passenger						
-Property						
Other Transport	829,085		829,085	850,325		850,325
Transport Related Revenues	6,566,041		6,566,041	6,734,250		6,734,250
Total Operating Revenues	189,726,231	20,180,335	169,545,896	194,069,680	20,180,335	173,889,346
<b>Operating Expense</b>						
Fuels	45,798,835	3,118,269	42,680,566	45,798,835	3,119,051	42,679,784
Rentals - Flight	7,523,271	512,231	7,011,040	7,523,271	512,359	7,010,911
Flight Personnel	35,554,751	2,420,788	33,133,963	35,554,751	2,421,395	33,133,356
Other Flying Operations	4,059,085	276,368	3,782,717	4,059,085	276,437	3,782,648
Maintenance - Flight	26,044,335	1,773,260	24,271,075	26,044,335	1,773,705	24,270,631
Maintenance - Ground	7,093,496	482,969	6,610,527	7,093,496	483,090	6,610,406
Passenger Service	-	-	-	-	-	-
Aircraft and Traffic Servicing	102,535,985	6,981,287	95,554,698	102,535,985	6,983,038	95,552,947
Promotion and Sales	11,452,462	-	11,452,462	11,558,531	-	11,558,531
General and Administrative	18,390,759	1,252,157	17,138,601	18,390,759	1,252,471	17,138,287
Depreciation/Amortization - Flight	18,684,508	1,272,157	17,412,351	18,684,508	1,272,476	17,412,032
Depreciation/Amortization - Ground	1,102,195	75,044	1,027,151	1,102,195	75,063	1,027,132
Amortization - Preoperating Costs	2,578,435	175,556	2,402,879	2,578,435	175,600	2,402,835
Transport Related Expense	(2,611,179)	(177,785)	(2,433,394)	(2,678,073)	(182,386)	(2,495,687)
Total with Historic Costs	278,206,937	18,162,301	260,044,636	278,246,112	18,162,301	260,083,811
Fuel Cost Escalation	-	-	-	-	-	-
Non-Fuel Cost Escalation	13,944,486	902,642	13,041,844	13,946,837	902,595	13,044,242
Total Operating Expense	292,151,424	19,064,943	273,086,480	292,192,949	19,064,896	273,128,053
Operating Profit or (Loss)	(102,425,193)	1,115,392	(103,540,584)	(98,123,269)	1,115,438	(99,238,707)
Interest Expense	3,250,927	212,146	3,038,781	3,251,389	212,145	3,039,244
Taxable Income	(105,676,120)	903,246	(106,579,365)	(101,374,658)	903,293	(102,277,951)
Income Tax @34%	(35,929,881)	307,103	(36,236,984)	(34,467,384)	307,120	(34,774,503)
Net Income after Income Tax	(69,746,239)	596,142	(70,342,381)	(66,907,274)	596,173	(67,503,448)
<b>Return</b>						
Investment	206,245,393	13,464,137	192,781,256	206,321,254	13,467,323	192,853,931
Return on Investment	(66,495,312)	808,288	(67,303,600)	(63,655,885)	808,319	(64,464,204)
% Return	-32.2%	6.0%	-34.9%	-30.9%	6.0%	-33.4%

# American's Atlantic Nonscheduled Passenger Combination Service Traffic and Capacity Statistics

Fiscal Year Ended June 2001

	Aircraft Type				All Types
	A-300-600	B-767	B-777	MD-11	TOTAL
Total Revenue Block Hours					221,754
Scheduled	25,713	129,814	57,682	8,545	221,737
Charter			18		18
Revenue Aircraft Departures					
Scheduled	3,483	14,935	6,592	858	25,868
Charter			2		2
Gross Ton Departures					
Available Ton Departures :			545		545
Passenger compartment			39		39
Cargo compartment			65		65
Total			104		104
Revenue Aircraft Miles					
Available Seat Miles (000)		1,367	7,924	781	10,072
Available Ton Miles (000):		255	1,969	182	2,406
Passenger compartment		53	403	40	496
Cargo compartment		21	156	15	192
Total		32	257	25	314
Seats Per Aircraft		53	413	40	506
Available Tons Per Aircraft	187	187	238	232	
Revenue Passenger Miles (000)	38	39	52	51	
Revenue Ton Miles (000)	203	203	1,336	132	1,671
U.S. Mail	0	3	1	3	7
Foreign Mail					
Freight					
Total Mail and Freight					
Baggage at 35 lbs. per passenger		4			29
Total Baggage Mail and Freight		4			29
Passengers at 165 lbs. per passenger		17			138
Total Revenue Ton Miles		20			167
Seat Factor (%)		79.5%			69.4%
Overall Ton Mile Load Factor (%)		38.5%			33.0%
Cargo Compartment Load Factor (%)		11.2%			9.3%

**American's Atlantic Scheduled Passenger Combination Service Traffic and Capacity Statistics**

**Fiscal Year Ended June 2001**

	Aircraft Type				All Types
	A-300-600	B-767	B-777	MD-11	TOTAL
Total Revenue Block Hours					
Scheduled	25,713	129,814	57,682	8,545	221,754
Charter	25,713	129,814	57,665	8,545	221,737
			18		18
Revenue Aircraft Departures					
Scheduled	3,483	14,935	6,592	858	25,868
Charter	3,483	14,935	6,590	858	25,866
			2		2
Gross Ton Departures	654,804	2,882,455	1,799,070	261,690	5,598,019
Available Ton Departures :					
Passenger compartment	53,644	230,189	129,563	16,411	429,807
Cargo compartment	80,251	346,579	213,690	27,735	668,255
Total	133,894	576,769	343,253	44,146	1,098,062
Revenue Aircraft Miles					
Available Seat Miles (000)	11,747,343	62,267,412	28,382,580	4,266,247	106,663,582
Available Ton Miles (000):	2,193,063	11,632,872	6,763,774	989,079	21,578,788
Passenger compartment	451,594	2,404,682	1,478,373	219,507	4,554,156
Cargo compartment	180,928	959,711	558,018	81,599	1,780,256
Total	270,666	1,444,968	920,346	137,908	2,773,889
Seats Per Aircraft	451,594	2,404,680	1,478,364	219,507	4,554,145
Available Tons Per Aircraft	187	187	238	232	202
Revenue Passenger Miles (000)	38	39	52	51	43
Revenue Ton Miles (000)	1,572,575	9,062,582	5,292,844	742,955	16,670,956
U.S. Mail	215,367	1,322,612	871,800	128,434	2,538,212
Foreign Mail	5,371	30,568	23,540	14,212	73,690
Freight					
Total Mail and Freight	52,739	385,789	318,977	39,929	797,434
Baggage at 35 lbs. per passenger	58,110	416,356	342,516	54,141	871,123
Total Baggage Mail and Freight	27,520	158,595	92,625	13,002	291,742
Passengers at 165 lbs. per passenger	85,630	574,951	435,141	67,143	1,162,865
Total Revenue Ton Miles	129,737	747,663	436,660	61,294	1,375,354
	215,367	1,322,614	871,801	128,437	2,538,219
Seat Factor (%)	71.7%	77.9%	78.3%	75.1%	77.3%
Overall Ton Mile Load Factor (%)	47.7%	55.0%	59.0%	58.5%	55.7%
Cargo Compartment Load Factor (%)	31.6%	39.8%	47.3%	48.7%	41.9%
"Wetted Volume" Available Space Basis					
Cargo compartment capacity as a % of total aircraft capacity	27.8%	25.8%	23.4%	34.0%	
<u>Assigned Mail and Freight</u>					
Cargo compartment ATM (000) 1/					1,640,534
Share of cargo compartment capacity (%)					59.1%
Share of total aircraft capacity (%)	16.4%	15.3%	13.86%	20.1%	15.2%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)					

## American's Atlantic Division Unit Costs

Fiscal Year Ended June 2001

Direct Operating Costs	Aircraft Type			
	A-300-600	B-767	B-777	MD-11
(Per Revenue Block Hour)				
Fuel and Oil	\$1,363	\$1,261	\$1,691	\$1,980
Rental	\$886	\$190		
Cockpit Crew 1/	\$966	\$1,096	\$1,087	\$982
Other Flying Operations	\$108	\$102	\$178	\$164
Maintenance Flight	\$1,382	\$786	\$511	\$1,677
Depreciation and Capital Leases	\$431	\$524	\$727	\$1,685
Total Aircraft Operating Expense	\$5,137	\$3,960	\$4,194	\$6,487
1/ Includes training, taxes and benefits.				
Indirect Operating Expense				
Ground Property and Equipment				
Maintenance		8.62	per gross ton departure	
Depreciation		1.34	per gross ton departure	
Passenger Service				
Salaries, Personnel exp., Benefits, Pensions, Payroll Tax		9.98	per available seat mile (000)	
Other Passenger Service		10.00	per revenue passenger mile (000)	
Aircraft Servicing				
Aircraft Servicing		8.69	per gross ton departure	
Aircraft Control		400	per total block hour	
Landing Fees		3.86	per gross ton departure	
Traffic Servicing				
Assigned to Passenger		229.18	per passenger cabin available ton departure	
Assigned to Cargo		201.47	per cargo compartment available ton departure	
Other Traffic Servicing				
Promotion and Sales				
Passenger Commissions		5.22%	passenger revenue	
Property Commissions		2.13%	property revenue	
Other Reservations and Sales-Passenger		3.88	per (000) RPMS	
Other Reservations and Sales-Cargo		9.17	per (000) freight RTMS	
Advertising and Pubility				
Passenger		1.01%	passenger, revenue in sched. services	
Cargo		0.42%	property, revenue in sched. services	
General and Administrative		562	per total block hour	
Amortization other than flight equipment		79	per total block hour	
Transport Related Expense		-1.61%	passenger, and freight revenue in sched. services	

**American's Atlantic Scheduled Passenger Combination Service Traffic and Capacity Statistics**

**Forecast Year Ended September 2003**

	Aircraft Type			All Types
	A-300-600	B-767	B-777	TOTAL
Total Block Hours	25,713	132,410	63,450	221,574
Scheduled	25,713	132,410	63,431	221,555
Charter			19	19
Revenue Aircraft Departures				
Scheduled	3,483	15,234	7,251	25,968
Charter	3,483	15,234	7,249	25,966
			2	2
Gross Ton Departures	654,804	2,940,104	1,978,977	5,573,885
Available Ton Departures :				
Passenger compartment	53,644	234,793	142,520	430,956
Cargo compartment	80,251	353,511	235,059	668,821
Total	133,894	588,304	377,579	1,099,777
Revenue Aircraft Miles	11,747,343	63,512,760	31,220,838	106,480,941
Available Seat Miles (000)	2,193,063	11,865,524	7,440,240	21,498,827
Available Ton Miles (000):	451,594	2,452,773	1,626,201	4,530,568
Passenger compartment	180,928	978,906	613,820	1,773,653
Cargo compartment	270,666	1,473,868	1,012,381	2,756,915
Total	451,594	2,452,773	1,626,201	4,530,568
Seats Per Aircraft	187	187	238	
Available Tons Per Aircraft	38	39	52	
Revenue Passenger Miles (000)	1,572,575	9,243,834	5,239,916	16,056,324
Revenue Ton Miles (000)				
U.S. Mail	5,371	31,179	25,894	62,443
Foreign Mail				
Freight	52,739	393,504	350,874	797,118
Total Mail and Freight	58,110	424,683	376,768	859,561
Baggage at 35 lbs. per passenger	27,520	161,767	91,699	280,986
Total Baggage Mail and Freight	85,630	586,450	468,466	1,140,547
Passengers at 165 lbs. per passenger	129,737	762,616	432,293	1,324,647
Total Revenue Ton Miles	215,367	1,349,067	900,759	2,465,193
Seat Factor (%)	71.7%	77.9%	70.4%	74.7%
Overall Ton Mile Load Factor (%)	47.7%	55.0%	55.4%	54.4%
Cargo Compartment Load Factor (%)	31.6%	39.8%	46.3%	41.4%
"Wetted Volume" Available Space Basis				
Cargo compartment capacity as a % of total aircraft capacity	27.8%	25.8%	23.4%	
<u>Assigned Mail and Freight</u>				
Cargo compartment ATM (000) 1/				1,618,759
Share of cargo compartment capacity (%)				58.7%
Share of total aircraft capacity (%)	16.3%	15.2%	13.8%	14.8%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)				20.0%

**American's U.S.-Latin American Service Financial Results by Product Line**

Fiscal Year Ended June 2001

U.S. Scheduled Service Financial Results							
Operating Revenue	Total Latin American Form 41	Exclusion 1/	Total	Passenger	Cargo	Mail	Freight
Passenger	\$2,487,371,000		\$2,487,371,000	\$2,487,371,000			
Mail	\$8,835,000		\$8,835,000		8,835,000	8,835,000	
Freight	\$151,595,000		\$151,595,000		151,595,000		151,595,000
Excess Baggage	\$7,727,000		\$7,727,000	7,727,000			
Charter-Passenger	\$7,158,000	\$7,158,000					
-Property							
Other Transport	19,597,000	\$53,155	\$19,543,845	18,421,151	1,122,693		1,122,693
Transport Related Revenues	\$131,821,000	\$357,555	\$131,463,445	123,911,548	7,551,898		7,551,898
Total Operating Revenues	\$2,814,104,000	\$7,568,710	2,806,535,290	2,637,430,699	169,104,591	8,835,000	160,269,591
Operating Expense							
Fuels	375,282,000	1,354,219	373,927,781	338,393,774	35,534,007	1,278,630	34,255,376
Rentals - Flight	82,463,000	417,439	82,045,561	74,067,867	7,977,694	287,064	7,690,630
Flight Personnel	311,881,000	1,306,794	310,574,206	282,445,426	28,128,779	1,012,166	27,116,613
Other Flying Operations	39,669,000	108,470	39,560,530	36,748,115	2,812,415	101,200	2,711,215
Maintenance - Flight	271,127,000	1,056,072	270,070,928	243,815,590	26,255,338	944,753	25,310,585
Maintenance - Ground	39,841,000	170,998	39,670,002	35,839,000	3,831,002	137,852	3,693,150
Passenger Service	364,154,000	1,023,420	363,130,580	363,130,580	-	-	-
Aircraft and Traffic Servicing	493,053,000	2,226,719	490,826,281	408,131,462	82,694,819	2,975,631	79,719,188
Promotion and Sales	407,896,000	283,830	407,612,170	397,533,297	10,078,873	-	10,078,873
General and Administrative	137,466,000	660,902	136,805,098	123,536,393	13,268,705	477,452	12,791,254
Depreciation/Amortization - Flight	132,157,000	396,182	131,760,818	118,245,161	13,515,657	486,338	13,029,320
Depreciation/Amortization - Ground	20,993,000	90,490	20,902,510	18,875,178	2,027,331	72,950	1,954,381
Amortization - Preoperating Costs	10,257,000	49,313	10,207,687	9,217,645	990,042	35,625	954,417
Transport Related Expense	68,619,000	186,124	68,432,876	64,491,068	3,941,808	141,839	3,799,969
Total with Historic Costs	2,754,858,000	9,330,971	2,745,527,029	2,514,470,557	231,056,472	7,951,500	223,104,972
Cost Escalation Fuel							
Non-Fuel Cost Escalation							
Total Operating Expense	2,754,858,000	9,330,971	2,745,527,029	2,514,470,557	231,056,472	7,951,500	223,104,972
Operating Profit or (Loss)	59,246,000	(1,762,261)	61,008,261	122,960,142	(61,951,881)	883,500	(62,835,381)
Interest Expense	9,166,000	31,046	9,134,954	8,366,180	768,774	26,456	742,318
Taxable Income	50,080,000	(1,793,307)	51,873,307	114,593,962	(62,720,655)	857,044	(63,577,699)
Income Tax @34%	17,027,200	(609,724)	17,636,924	38,961,947	(21,325,023)	291,395	(21,616,418)
Net Income after Income Tax	33,052,800	(1,183,583)	34,236,383	75,632,015	(41,395,632)	565,649	(41,961,281)
Return							
Investment	1,879,561,428	6,398,650	1,873,162,779	1,714,250,649	158,912,130	5,464,420	153,447,711
Return on Investment	42,218,800	(1,152,537)	43,371,337	83,998,195	(40,626,858)	592,105	(41,218,963)
% Return	2.2%	-18.0%	2.3%	4.9%	-25.6%	10.8%	-26.9%

1/ Charter and nonrevenue flying.

**American's Latin American Scheduled Combination Service Financial Results**

Forecast Year Ende September 2003

	Present Rates			Proposed Rates		
	Cargo	Mail	Freight	Cargo	Mail	Freight
<b>Operating Revenue</b>						
Mail	9,654,417	9,654,417		9,654,417	9,654,417	
Freight	154,748,992		154,748,992	159,029,992		159,029,992
Excess Baggage						
Charter-Passenger						
-Property						
Other Transport	1,146,051		1,146,051	1,177,756		1,177,756
Transport Related Revenues	7,709,018		7,709,018	7,922,281		7,922,281
Total Operating Revenues	173,258,477	9,654,417	163,604,061	177,784,445	9,654,417	168,130,028
<b>Operating Expense</b>						
Fuels	35,392,479	1,350,996	34,041,483	35,392,479	1,350,336	34,042,143
Rentals - Flight	8,173,654	312,003	7,861,651	8,173,654	311,851	7,861,803
Flight Personnel	28,372,817	1,083,043	27,289,775	28,372,817	1,082,513	27,290,304
Other Flying Operations	2,844,064	108,563	2,735,501	2,844,064	108,510	2,735,554
Maintenance - Flight	24,160,964	922,268	23,238,696	24,160,964	921,818	23,239,147
Maintenance - Ground	3,764,016	143,679	3,620,337	3,764,016	143,609	3,620,407
Passenger Service	-	-	-	-	-	-
Aircraft and Traffic Servicing	92,294,260	3,523,041	88,771,219	92,294,260	3,521,319	88,772,941
Promotion and Sales	10,288,568	-	10,288,568	10,392,349	-	10,392,349
General and Administrative	13,283,440	507,053	12,776,387	13,283,440	506,805	12,776,635
Depreciation/Amortization - Flight	12,335,362	470,863	11,864,499	12,335,362	470,633	11,864,729
Depreciation/Amortization - Ground	1,991,883	76,034	1,915,849	1,991,883	75,997	1,915,886
Amortization - Preoperating Costs	991,141	37,834	953,308	991,141	37,815	953,326
Transport Related Expense	4,023,819	153,597	3,870,222	4,135,134	157,769	3,977,366
Total with Historic Costs	237,916,468	8,688,975	229,227,493	238,131,565	8,688,975	229,442,590
Cost Escalation Fuel	-	-	-	-	-	-
Non-Fuel Cost Escalation	14,274,988	521,338	13,753,650	14,287,894	521,338	13,766,555
Total Operating Expense	252,191,456	9,210,313	242,981,143	252,419,459	9,210,313	243,209,145
Operating Profit or (Loss)	(78,932,979)	444,103	(79,377,082)	(74,635,014)	444,103	(75,079,117)
Interest Expense	839,095	30,645	808,450	839,853	30,645	809,209
Taxable Income	(79,772,074)	413,458	(80,185,533)	(75,474,867)	413,458	(75,888,325)
Income Tax @34%	(27,122,505)	140,576	(27,263,081)	(25,661,455)	140,576	(25,802,031)
Net Income after Income Tax	(52,649,569)	272,883	(52,922,451)	(49,813,412)	272,883	(50,086,295)
<b>Return</b>						
Investment	173,642,896	6,336,985	167,305,911	173,724,542	6,334,066	167,390,476
Return on Investment	(51,810,474)	303,527	(52,114,001)	(48,973,559)	303,527	(49,277,086)
% Return	-29.8%	4.8%	-31.1%	-28.2%	4.8%	-29.4%

**American's Latin American Nonscheduled Passenger Combination Service Traffic and Capacity Statistics**

Fiscal Year Ended June 2001

	Aircraft Type										All Types	
	B-757	B-737	B-767	A-300	B-727	DC-10-10	MD-11	Fokker	DC-9	TOTAL		
Total Revenue Block Hours	78,403	23,725	62,670	44,726	50,573	15,811	15,359	9,044	31,854	332,165		
Scheduled	77,455	23,725	62,664	44,726	50,506	15,811	15,359	9,044	31,279	330,568		
Charter	948		6		68				575	1,597		
Revenue Aircraft Departures	22,492	9,578	9,790	13,643	21,708	1,738	1,577	4550	11,581	96,657		
Scheduled	22,220	9,578	9,789	13,643	21,679	1,738	1,577	4550	11,372	96,146		
Charter	272		1		29				209	511		
Gross Ton Departures Available Ton Departures :	32,640		171		2755				16720	52,286		
Passenger compartment	3,946		15		331				2224	6,517		
Cargo compartment	2,877		23		177				1773	4,851		
Total	6,823		39		509				3997	11,367		
Revenue Aircraft Miles Available Seat Miles (000)	144,831		5,208	3,751	18,019	1,763	1,520	28,618	295,170	498,880		
Available Ton Miles (000)	25,041		845	834	2,523	425	354	2,494	38,119	70,635		
Passenger compartment	3,662		172	148	317	90	78	325	5,637	10,429		
Cargo compartment	2,101		80	76	206	36	29	206	3,141	5,874		
Total	1,532		836	74	110	55	49	119	2,504	5,279		
Seats Per Aircraft	3,633		916	149	316	91	78	325	5,645	11,153		
Available Tons Per Aircraft	176		186	244	138	244	231	87	129			
Revenue Passenger Miles	25		176	40	18	51	51	11	19			
Revenue Ton Miles (000)	18,612		802	679	1,409	410	260	1,795	24,527	48,494		
U.S. Mail	1,446		43	1	123	0	0	169	2,343	4,124		
Foreign Mail												
Freight												
Total Mail and Freight												
Baggage at 35 lbs. per passenger	326			12	25				429	849		
Total Baggage Mail at 35 lbs. per passenger	326			12	25				429	849		
Passengers at 165 lbs. per passenger	1,535			56	116				2023	4,001		
Total Revenue Ton Miles	1,861			68	141				2453	4,849		
Seat Factor (%)	74.3%			81.4%	55.8%				64.3%	68.7%		
Overall Ton Mile Load Factor	51.2%			45.5%	44.6%				43.4%	43.5%		
Cargo Compartment Load Factor	21.3%			16.1%	22.4%				17.1%	16.1%		



## Fiscal Year Ended June 2001

Assigned Mail and Freight

## American's Latin American Division Unit Costs

Fiscal Year Ended June 2001

	Aircraft Type								
Direct Operating Costs	B-757	B-737-800/900	B-767	A-300	B-727	B-777	MD-11	Fokker	DC-9
(Per Revenue Block Hour)									
Fuel and Oil	\$901	\$654	\$1,318	\$1,468	\$1,068	\$1,774	\$2,021	\$499	\$729
Rental	\$291		\$187	\$884	\$5			\$44	\$244
Cockpit Crew 1/	\$856	\$822	\$1,076	\$877	\$1,029	\$1,136	\$1,204	\$766	\$726
Other Flying Operations	\$76	\$52	\$103	\$116	\$76	\$163	\$162	\$37	\$53
Maintenance Flight	\$688	\$190	\$863	\$1,364	\$808	\$496	\$1,648	\$498	\$597
Depreciation and Capital Leases	\$287	\$310	\$512	\$428	\$338	\$707	\$1,498	\$465	\$170
Total Aircraft Operating Expense	\$3,100	\$2,028	\$4,060	\$5,137	\$3,325	\$4,276	\$6,532	\$2,309	\$2,520
1/ Includes training, taxes and benefits.	\$3,100	\$2,028	\$4,060	\$5,137	\$3,325	\$4,276	\$6,532	\$2,309	\$2,520
Indirect Operating Expense									
Ground Property and Equipment									
Maintenance				3.27	per gross ton departure				
Depreciation				1.73	per gross ton departure				
Passenger Service									
Salaries, Personnel exp., Benefits, Pensions, Payroll Tax				7.68	per available seat mile (000)				
Other Passenger Service				9.92	per revenue passenger mile (000)				
Aircraft Servicing									
Aircraft Servicing				5.21	per gross ton departure				
Aircraft Control				312	per total block hour				
Landing Fees				3.80	per gross ton departure				
Traffic Servicing									
Assigned to Passenger				100.01	per passenger cabin available ton departure				
Assigned to Cargo				124.86	per cargo compartment available ton departure				
Other Traffic Servicing									
Promotion and Sales									
Passenger Commissions				8.09%	passenger revenue				
Property Commissions				1.83%	property revenue				
Other Reservations and Sales-Passenger				5.85	per (000) RPMS				
Other Reservations and Sales-Cargo				13.53	per (000) freight RTMS				
Advertising and Publisity									
Passenger				1.10%	passenger, revenue in sched. services				
Cargo				0.60%	property, revenue in sched. services				
General and Administrative				414	per total block hour				
Amortization other than flight equipment				31	per total block hour				
Transport Related Expense				2.60%	passenger, and freight revenue in sched. services				

## Forecast Year Ende September 2003

Assigned Mail and Freight

# American's U.S.-Pacific Service Financial Results by Product Line

Fiscal Year Ended June 30, 2001

Operating Revenue		Total Pacific Form 41	Exclusion	Total	Passenger	Cargo	Mail	Freight
Passenger		\$461,776,000		\$461,776,000	\$461,776,000			
Mail		6,367,000		6,367,000		\$6,367,000	\$6,367,000	
Freight		66,379,000		66,379,000		66,379,000		\$66,379,000
Excess Baggage		1,075,000		1,075,000	1,075,000			
Charter-Passenger								
-Property								
Other Transport		1,364,000		1,364,000	1,192,571	171,429		171,429
Transport Related Revenues		31,627,000		31,627,000	27,652,090	3,974,910		3,974,910
Total Operating Revenues		568,588,000		568,588,000	491,695,661	76,892,339	6,367,000	70,525,339
Operating Expense								
Fuels		77,937,000		77,937,000	66,689,088	11,247,912	1,081,293	10,166,619
Rentals - Flight								
Flight Personnel		59,212,000		59,212,000	50,666,491	8,545,509	821,504	7,724,006
Other Flying Operations		6,365,000		6,365,000	5,285,626	1,079,374	103,763	975,610
Maintenance - Flight		20,714,000		20,714,000	17,724,544	2,989,456	287,385	2,702,071
Maintenance - Ground		4,721,000		4,721,000	4,039,663	681,337	65,499	615,839
Passenger Service		83,808,000		83,808,000	83,808,000	-	-	-
Aircraft and Traffic Servicing		71,542,000		71,542,000	49,602,446	21,939,554	2,109,111	19,830,444
Promotion and Sales		97,836,000		97,836,000	94,581,152	3,254,848	-	3,254,848
General and Administrative		42,879,000		42,879,000	36,690,678	6,188,322	594,901	5,593,421
Depreciation/Amortization - Flight		30,702,000		30,702,000	25,901,898	4,800,102	461,447	4,338,655
Depreciation/Amortization - Ground		1,501,000		1,501,000	1,284,375	216,625	20,825	195,800
Amortization - Preoperating Costs		3,773,000		3,773,000	3,228,479	544,521	52,346	492,175
Transport Related Expense		10,944,000		10,944,000	9,568,548	1,375,452	132,226	1,243,226
Total with Historic Costs		511,934,000		511,934,000	449,070,987	62,863,013	5,730,300	57,132,713
Fuel Cost Escalation								
Non-Fuel Cost Escalation								
Total Operating Expense		511,934,000		511,934,000	449,070,987	62,863,013	5,730,300	57,132,713
Operating Profit or (Loss)		56,654,000		56,654,000	42,624,674	14,029,326	636,700	13,392,626
Interest Expense		1,824,000		1,824,000	1,600,022	223,978	20,417	203,562
Taxable Income		54,830,000		54,830,000	41,024,652	13,805,348	616,283	13,189,064
Income Tax @34%		18,642,200		18,642,200	13,948,382	4,693,818	209,536	4,484,282
Net Income after Income Tax		36,187,800		36,187,800	27,076,271	9,111,529	406,747	8,704,783
Return								
Investment		350,542,703		350,542,703	307,519,857	43,022,846	3,916,972	39,105,874
Return on Investment		38,011,800		38,011,800	28,676,292	9,335,508	427,164	8,908,344
% Return		10.8%		10.8%	9.3%	21.7%	10.9%	22.8%

# American's Pacific Scheduled Combination Service Financial Results

Forecast Year Ending September 30, 2003

Operating Revenue	Present Rates			Proposed Rates		
	Cargo	Mail	Freight	Cargo	Mail	Freight
Mail	\$4,934,087	\$4,934,087		\$4,934,087	\$4,934,087	
Freight	51,440,202		\$51,440,202	53,319,202		\$53,319,202
Excess Baggage						
Charter-Passenger						
-Property						
Other Transport	132,848		132,848	137,701		137,701
Transport Related Revenues	3,080,344		3,080,344	3,192,863		3,192,863
Total Operating Revenues	59,587,481	4,934,087	54,653,394	61,583,852	4,934,087	56,649,765
Operating Expense						
Fuels	9,012,617	848,499	8,164,118	9,012,617	847,799	8,164,818
Rentals - Flight						
Flight Personnel	6,847,262	644,640	6,202,622	6,847,262	644,108	6,203,154
Other Flying Operations	864,870	81,424	783,446	864,870	81,357	783,513
Maintenance - Flight	2,395,362	225,513	2,169,849	2,395,362	225,327	2,170,035
Maintenance - Ground	527,099	49,624	477,475	527,099	49,583	477,516
Passenger Service						
Aircraft and Traffic Servicing	17,046,470	1,604,851	15,441,619	17,046,470	1,603,527	15,442,943
Promotion and Sales	2,522,334		2,522,334	2,568,249		2,568,249
General and Administrative	4,958,518	466,823	4,491,695	4,958,518	466,438	4,492,080
Depreciation/Amortization - Flight	3,846,179	362,101	3,484,078	3,846,179	361,802	3,484,377
Depreciation/Amortization - Ground	167,587	15,778	151,809	167,587	15,765	151,822
Amortization - Preoperating Costs	436,309	41,077	395,232	436,309	41,043	395,266
Transport Related Expense	1,065,902	100,350	965,552	1,104,837	103,930	1,000,907
Total with Historic Costs	49,690,510	4,440,678	45,249,831	49,775,359	4,440,678	45,334,681
Fuel Cost Escalation						
Non-Fuel Cost Escalation	2,981,431	266,441	2,714,990	2,986,522	266,441	2,720,081
Total Operating Expense	52,671,940	4,707,119	47,964,821	52,761,881	4,707,119	48,054,761
Operating Profit or (Loss)	6,915,541	226,968	6,688,573	8,821,972	226,968	8,595,004
Interest Expense	187,668	16,771	170,897	187,988	16,771	171,217
Taxable Income	6,727,873	210,197	6,517,676	8,633,983	210,197	8,423,787
Income Tax @34%	2,287,477	71,467	2,216,010	2,935,554	71,467	2,864,087
Net Income after Income Tax	4,440,396	138,730	4,301,666	5,698,429	138,730	5,559,699
Return						
Investment	36,108,745	3,223,356	32,885,389	36,144,433	3,220,851	32,923,582
Return on Investment	4,628,084	155,501	4,472,563	5,886,417	155,501	5,730,916
% Return	12.8%	4.8%	13.6%	16.3%	4.8%	17.4%

**American's Pacific Nonscheduled Passenger Service Traffic and Capacity Statistics**

Fiscal Year Ended June 30, 2001

	Aircraft Type	All Types
Total Revenue Block Hours	B-777	TOTAL
Scheduled	43,183	43,183
Charter	43,183	43,183
Revenue Aircraft Departures		
Scheduled	3,768	3,768
Charter	3,768	3,768
Gross Ton Departures		
Available Ton Departures :		
Passenger compartment		
Cargo compartment		
Total		
Revenue Aircraft Miles		
Available Seat Miles (000)		
Available Ton Miles (000):		
Passenger compartment		
Cargo compartment		
Total		
Seats Per Aircraft		
Available Tons Per Aircraft		
Revenue Passenger Miles (000)		
Revenue Ton Miles (000)		
U.S. Mail		
Foreign Mail		
Freight		
Total Mail and Freight		
Baggage at 35 lbs. per passenger		
Total Baggage Mail and Freight		
Passengers at 165 lbs. per passenger		
Total Revenue Ton Miles		
Seat Factor (%)		
Overall Ton Mile Load Factor (%)		
Cargo Compartment Load Factor (%)		

**American's Pacific Scheduled Passenger Service Traffic and Capacity Statistics**

Fiscal Year Ended June 30, 2001

	Aircraft Type	All Types
Total Revenue Block Hours	B-777	TOTAL
Scheduled	43,183	43,183
Charter	43,183	43,183
Revenue Aircraft Departures		
Scheduled	3,768	3,768
Charter	3,768	3,768
Gross Ton Departures		
Available Ton Departures :	1,028,664	1,028,664
Passenger compartment	72,710	72,710
Cargo compartment	125,310	125,310
Total	198,020	198,020
Revenue Aircraft Miles		
Available Seat Miles (000)	22,237,100	22,237,100
Available Ton Miles (000):	5,201,252	5,201,252
Passenger compartment	1,168,629	1,168,629
Cargo compartment	429,103	429,103
Total	739,526	739,526
Seats Per Aircraft	1,168,629	1,168,629
Available Tons Per Aircraft	234	234
Revenue Passenger Miles (000)	53	53
Revenue Ton Miles (000)	4,103,670	4,103,670
U.S. Mail	652,146	652,146
Foreign Mail	12,893	12,893
Freight		
Total Mail and Freight	228,886	228,886
Baggage at 35 lbs. per passenger	241,779	241,779
Total Baggage Mail and Freight	71,814	71,814
Passengers at 165 lbs. per passenger	313,593	313,593
Total Revenue Ton Miles	338,553	338,553
	652,146	652,146
Seat Factor (%)		78.9%
Overall Ton Mile Load Factor (%)		55.8%
Cargo Compartment Load Factor (%)		42.4%
"Wetted Volume" Available Space Basis		
Cargo compartment capacity as a % of total aircraft capacity	23.4%	
Assigned Mail and Freight		
Cargo compartment ATM (000) 1/		455,328
Share of cargo compartment capacity (%)		61.6%
Share of total aircraft capacity (%)	14.4%	14.4%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487.)		

## American's Pacific Division Unit Costs

Fiscal Year Ended June 30, 2001

Aircraft Type

### Direct Operating Costs

B-777

(Per Revenue Block Hour)

Fuel and Oil	\$1,805
Rental	\$0
Cockpit Crew 1/	\$1,371
Other Flying Operations	\$173
Maintenance Flight	\$480
Depreciation and Capital Leases	\$770

Total Aircraft Operating Expense \$4,599

1/ Includes training, taxes and benefits. \$4,599

### Indirect Operating Expense

#### Ground Property and Equipment

Maintenance	4.59 per gross ton departure
Depreciation	1.46 per gross ton departure

#### Passenger Service

Salaries, Personnel exp., Benefits, Pensions, Payroll Tax	9.49 per available seat mile (000)
Other Passenger Service	8.39 per revenue passenger mile (000)

#### Aircraft Servicing

Aircraft Servicing	33.26 per gross ton departure
Aircraft Control	325 per total block hour
Landing Fees	12.13 per gross ton departure

#### Traffic Servicing

Assigned to Passenger	219.12 per passenger cabin available ton departure
Assigned to Cargo	170.74 per cargo compartment available ton departure
Other Traffic Servicing	0 per total available ton departure

#### Promotion and Sales

Passenger Commissions	14.78% passenger revenue
Property Commissions	2.16% property revenue
Other Reservations and Sales-Passenger	2.02 per (000) RPMS
Other Reservations and Sales-Cargo	7.13 per (000) freight RTMS

#### Advertising and Publisity

Passenger	1.21% passenger, revenue in sched. services
Cargo	0.28% property, revenue in sched. services

General and Administrative 993 per total block hour

Amortization other than flight equipment 87 per total block hour

Transport Related Expense 2.07% passenger, and freight revenue in sched. services



**American's Pacific Scheduled Passenger Service Traffic and Capacity Statistics**

Forecast Year Ending September 30, 2003

	Aircraft Type	All Types
Total Block Hours	B-777	TOTAL
Scheduled	34,660	34,660
Charter	34,660	34,660
Revenue Aircraft Departures		
Scheduled	2,920	2,920
Charter	2,920	2,920
Gross Ton Departures	797,160	797,160
Available Ton Departures :		
Passenger compartment	56,346	56,346
Cargo compartment	97,109	97,109
Total	153,455	153,455
Revenue Aircraft Miles	17,232,572	17,232,572
Available Seat Miles (000)	4,030,694	4,030,694
Available Ton Miles (000):	905,626	905,626
Passenger compartment	332,532	332,532
Cargo compartment	573,093	573,093
Total	905,626	905,626
Seats Per Aircraft	234	
Available Tons Per Aircraft	53	
Revenue Passenger Miles (000)	3,180,126	3,180,126
Revenue Ton Miles (000)		
U.S. Mail	9,991	9,991
Foreign Mail		
Freight	177,374	177,374
Total Mail and Freight	187,366	187,366
Baggage at 35 lbs. per passenger	55,652	55,652
Total Baggage Mail and Freight	243,018	243,018
Passengers at 165 lbs. per passenger	262,360	262,360
Total Revenue Ton Miles	505,379	505,379
Seat Factor (%)	78.9%	78.9%
Overall Ton Mile Load Factor (%)	55.8%	55.8%
Cargo Compartment Load Factor (%)	42.4%	42.4%
<b><u>"Weighted Volume" Available Space Basis</u></b>		
Cargo compartment capacity as a % of total aircraft capacity	23.4%	
<b><u>Assigned Mail and Freight</u></b>		
Cargo compartment ATM (000) 1/		352,855
Share of cargo compartment capacity (%)		61.6%
Share of total aircraft capacity (%)	14.4%	14.4%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487.)		

# AMERICAN AIRLINES INVESTMENT BASE

## AMERICAN AIRLINES BALANCE SHEET

	2nd 00	3rd 00	4th 00	1st 01	2nd 01
1899 : TOTAL ASSETS	\$23,426,558,000	\$23,977,733,000	\$23,160,981,000	\$23,647,932,000	\$24,170,902,000
1599 : TOTAL INVESTMENTS AND SPECIAL FUNDS	\$458,336,000	\$400,795,000	\$408,686,000	\$432,584,000	\$428,139,000
1685 : OPERATING EQUIP PURCHASE DEPOSIT + ADVANCE PAYMENT	\$1,381,917,000	\$1,523,328,000	\$1,589,804,000	\$1,536,760,000	\$1,482,826,000
1799 : TOTAL NONOPERATING PROPERTY AND EQUIPMENT					
2000 : CURRENT MATURITIES OF LONG-TERM DEBT	\$112,512,000	\$101,096,000	\$107,995,000	\$117,867,000	\$167,634,000
2080 : CURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$221,669,000	\$248,439,000	\$201,122,000	\$219,077,000	\$239,916,000
2210 : LONG-TERM DEBT	\$2,233,196,000	\$2,225,852,000	\$2,581,471,000	\$3,095,730,000	\$3,902,225,000
2240 : ADVANCES FROM ASSOCIATED COMPANIES	\$18,871,000	\$19,133,000	\$19,184,000	\$20,284,000	\$21,087,000
2280 : NONCURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$1,292,495,000	\$1,235,238,000	\$1,163,276,000	\$1,053,426,000	\$1,002,747,000
2290.9 : OTHER NONCURRENT LIABILITIES	\$1,951,778,000	\$1,961,833,000	\$2,032,988,000	\$2,055,087,000	\$2,081,289,000
2299 : TOTAL NONCURRENT LIABILITIES	\$5,511,714,000	\$5,457,430,000	\$5,812,892,000	\$6,240,585,000	\$7,023,559,000
2995 : NET STOCKHOLDERS' EQUITY	\$7,581,488,000	\$7,895,118,000	\$6,435,302,000	\$6,475,307,000	\$6,033,196,000
TOTAL OPERATING EXPENSE	\$4,140,238,000	\$4,316,393,000	\$4,401,347,000	\$4,372,707,000	\$5,084,653,000
TRANSPORT RELATED EXPENSE	\$57,906,000	\$80,571,000	\$72,893,000	\$66,141,000	\$592,398,000
TRANSPORT OPERATING EXPENSE (12-13)	\$4,082,332,000	\$4,235,822,000	\$4,328,454,000	\$4,306,566,000	\$4,492,255,000
NET RECOGNIZED ASSETS(1)-(2+3+4)	\$21,586,305,000	\$22,053,610,000	\$21,162,491,000	\$21,678,588,000	\$22,259,937,000
RECOGNIZED ASSETS AS A % OF TOTAL ASSETS (15/1)	92.1%	92.0%	91.4%	91.7%	92.1%
TOTAL DEBT (5+6+7+8+9+10)	5,830,521,000	5,791,591,000	6,106,036,000	6,561,471,000	7,414,898,000
TOTAL INVESTMENT (17+11)	13,412,009,000	13,686,709,000	12,541,338,000	13,036,778,000	13,448,094,000
DEBT AS A % OF INVESTMENT (17/18)	43.5%	42.3%	48.7%	50.3%	55.1%
TRANSPORT INVESTMENT (16 X 18)	12,358,440,234	12,588,402,017	11,459,184,417	11,951,105,877	12,384,880,184
TRANSPORT INVESTMENT AS A % TRANSPORT OPERATING EXP. (20/14)	3.03	2.97	2.65	2.78	2.76
DEBT/EQUITY	0.8	0.7	0.9	1.0	1.2

FIVE QUARTERS OF TRANSPORT INVESTMENT AS A PER-  
CENT OF ANNUAL OPERATING EXPENSE

69.97%

Mr. John Kiser  
Chief, Pricing and Multilateral Affairs Division,  
Office of International Aviation  
U.S. Department of Transportation  
400 Seventh Street SW  
Washington, DC. 20590

**Subject:** Composite Cargo Tariff Coordinating Conference, The Hague, 27-31 May 2002:  
CTC COMP 0396, Resolution 502 Worldwide Intended Effective, Date: 1 October 2002; CTC COMP 0404, Resolution 502 Worldwide Rating Resolution (technical correction), Intended Effective Date: 1 October 2002; CTC COMP 0408, Composite Resolutions, Intended Effective Date: 1 October 2002; CTC COMP 0410 Worldwide Area Resolutions (excluding changes to rates), Except Alliance Countries, Intended Effective Date: 1 October 2002; CTC COMP 0412, Worldwide Area Resolutions (changes to rates) to/from USA/US Territories, Except Alliance Countries; CTC COMP 0413, Worldwide Area Resolutions, Alliance Countries, Intended Effective Date: 1 October 2002. CTC COMP 0418 Worldwide Area Resolutions (technical correction changes to rates) to/from USA/US Territories except Alliance Countries, Intended Effective Date: 1 October 2002.

Dear Mr. Kiser:

Pursuant to your letter of April 29, 1992 to David O'Connor, Delta Air Lines<sup>1</sup> herewith submits justification for the subject cargo rate agreement. The IATA carriers, meeting in the Hague from May 27 through 31, 2002, adopted the agreement circulated by Memorandums CTC COMP 0396, 0404, 0408, 0410, 0412, 0413 and 0418. The agreement was amended by Mail Vote 244<sup>2</sup>. The subject resolution affects cargo transported to and from the United States and its territories. Delta's current international operations are affected by the proposed changes.

### **The Agreement**

#### **MEMORANDUM CTC COMP 0396**

Resolution 502, Low Density Cargo. To meet current conditions in the international freight market, the carriers amend the density rule from 6,000 cubic cm. per kilogram to 5,000 cubic cm per kilogram. The Low Density Cargo conversion factor was amended to more accurately reflect the current operating circumstances in respect of aircraft types/capacities and the less dense nature of current air cargo commodities and traffic flows.

Many of Delta's aircraft and routes tend to "volume out" before the weight limitations are reached. Over the past years, despite very significant changes to aircraft weight and flight / distance uplift capabilities no adjustments to the rate structure have been made to reflect these changes. Most air cargo today is carried in wide body aircraft. The power of the engines used on these modern aircraft provide a substantial increased weight payload over much greater non-stop sectors. However, the available volume capacity has not materially changed. As a result, the benefit of this greater weight uplift capability has not been achieved as the current method of charging for volume space used still means that most of Delta's Atlantic, Pacific and Latin American aircraft will volume out at approximately 50% of its weight capability.

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<sup>1</sup> Mr. Robert M. Pryor worked with Delta in developing this cargo rate justification.

<sup>2</sup> Mail vote 244 amended the agreement to eliminate all rates between the U.S./U.S. Territories and Libya. Mail vote 244 was approved by Notice dated Oct. 11, 2002, Docket OST-02-13560.

In addition to the changes in aircraft capabilities, the nature of cargo tendered for carriage by air has changed considerably. The large share of machinery and replacement parts has been reduced by hi-tech commodities such as computers, videos, CDs, DVDs, computer games, software, fashion clothing & footwear, aircraft parts, mobile phones and various other electronic equipment. Much of this cargo moves by air as the preferred mode, because the relatively high commodity values provide a more cost-effective option compared to traditional forms of transport such as sea-freight. These hi-tech goods have generally become lighter in weight due to technology advancements, higher in value and more protectively packed with lightweight packaging materials such as polystyrene.

Attachment 1 page 1 illustrates the revenue impact associated with the change in freight charges. Delta expects that competitive marketing conditions will play a significant factor in determining to what extent traffic will be impacted by this agreement. Associated revenue increases are expected to be \$1.7 million for the Atlantic division, \$324,653 for the Latin American Division and \$38,431 for the Pacific division.

#### MEMORANDUM CTC COMP 0404

Technical correction to Resolution 502, Low Density Cargo. Changes reference in paragraph 1 of Resolution 502 to "paragraph 3" instead of "paragraph 2."

#### MEMORANDUM CTC COMP 0408

Resolution 012, Glossary of Terms (Indefinite). New definitions have been introduced for: Alliance Countries – to list the countries for which Alliance Agreements exist. Caribbean Islands – definition to avoid listing all countries each time. Central America - definition to avoid listing all countries each time. Definitions have been amended for: Constructed rate – a term to be used when add-ons are used to establish a rate; Construction – deletion of reference to Resolution number; N Rate – the 1kg. Rate rather than the –45kg Or –100kg. rate. These changes will not affect Delta's revenues.

Resolution 014b, Construction Combination Rules for Cargo Rates (Indefinite). Amended to cover combination only and not construction through the use of an add-on. In the Cargo Resolutions references to 'constructed' and 'construction' had created confusion. These two terms seem to have different meanings even though they are used interchangeably. It was understood that the term "constructed rate" referred to unspecified through rates established by use of add-on amounts rather than through combination of sector rates. The problems identified related to the presentation of Resolution 014b and the lack of any clear rules relating to the application of add-on amounts. The changes adopted clarify Resolution 014b to make it applicable only to rates combined end-on and not to the use of add-on amounts. As a result Resolution 015aa was re-draft to identify clearly the rules applicable to the use of add-on amounts, and Resolution 012 definitions of 'constructed rate' and 'constructed' were re-word to ensure that they are unique.

Resolution 015aa, Add-Ons Amounts. The Resolution text has been amended to use the term 'Add-on' rather than 'Add-on Amounts' and to correctly reflect the reference to the Attachments. Additionally the use of the word 'Combination' has been eliminated.

The Attachments have been amended to reflect:

i.) Simplification of add-on amounts in Brazil. Constructions over Belem and Recife are eliminated and construction over Rio de Janeiro and Sao Paulo are retained. Note 0567 "USE CONSTRUCTION WHICH PRODUCES THE LOWEST THROUGH RATE" was eliminated. Delta carries a minor amount of interline traffic to/from cities north of Rio de Janeiro. Delta does not expect this change to have any measurable impact on its revenues.

ii.) The deletion of a number of add-ons bearing a notes. No impact is expected from the deletion of charges bearing notes. These changes are administrative in order to clean up tables cluttered with unused rates.

iii.) A re-alignment of US add-ons for Trans-Pacific transportation. This change realigned U.S. add-ons for Pacific operations. Rates between the Southwest Pacific and the U.S. increased; rates for San Francisco, Seattle, and Portland to/from TC3 not specified in the rates tables also increased. All other add-ons decrease. In the Pacific division, Delta's service has been reduced and now only operates between Tokyo, Japan and Atlanta, Georgia. Delta would not be affected by any of the increases in add-ons. Delta expects the reduction in add-ons for U.S. domestic points served over Atlanta to decrease revenues by \$23,781 annually.

iv.) Introduction of add-ons for TC1 and TC2 for two Hawaiian points. The add-ons for these points are \$0.20 and are less than a construction with local rates.

The changes to these rates are shown at Attachment 1, pages 2 through 5.

Resolution 033c, Construction Establishment of Through Cargo Rates and Charges. Amends reference from 'Construction' to 'Establishment'. This change has no revenue implications for Delta.

Resolution 033e, Rules for Payment of Cargo Rates, Charges and Other Amounts. Deletes the cross-reference to Resolution 033f, which has been rescinded. This change has no revenue implications for Delta.

Resolution 033f, Administrative Provisions for the Review and Monitoring of Currency Levels. This Resolution has been rescinded as it is no longer required. This change has no revenue implications for Delta.

Resolution 045a, TC3 Cargo Charters (except US Territories). This Resolution has been rescinded as it is no longer required. This change has no revenue implications for Delta.

Resolution 116aa, Cargo Rates Enabling Facility and Board. Amended to: Specify its area of application. Require that a GCR structure is in place for a filing for SCRs; prohibit the use of notes on a filing; delete the provisions for a Cargo Rates Board and eliminate the link to Resolution 116bb.

Resolution 116bb, Special Enabling Resolution. Amended to: Eliminate the link to Resolution 116aa; require that a GCR structure is in place for a filing for SCRs; prohibit the use of notes on a filing; exclude application of the area for which Resolution 116aa applies; prohibit the use of the Resolution for Alliance Countries by those carriers not party to the agreements on the Alliance Countries.

Resolution 116f, GCRs Special Provisions Resolution from Japan. Reworded to clarify the use of 'Construction' and 'Combination'. This will have no effect on Delta Air Lines' revenue.

Resolution 501, Minimum Charges for Cargo. The Resolution text has been amended to preclude application for those areas in Europe covered by Resolution 500. The Attachment has been amended as follows:

- i.) Standardize the Charges from Libya world-wide. All rates between the U.S. and Libya were deleted by mail vote 244.
- ii.) Introduce charges for points where the current charges are incomplete; not to/from the U.S.
- iii.) Increase the charge from the USA to Japan. Attachment 1 page 5 shows the rate comparison for the current charge and the proposed charge. Delta expects that it will earn \$12,605 annually from this change.

Resolution 501b, International Priority Service. This is an amalgamation of previously existing Resolutions 501b/501bb/501c, all of which had the same text but for different areas. The amalgamated Resolution has been made indefinite. No changes to the application have been made.

Resolution 501d, International Priority Service (TC3 and TC23/123) This is an amalgamation of previously existing Resolutions 501d/501ff, both of which had the same text but for different areas. The amalgamated Resolution has been made indefinite. No changes to the application have been made.

Resolution 503, Charges in Relation to Value. The Attachment to this Resolution was disapproved by the US DOT in Order 2001-3-24. In order to establish an equivalent in Local Currency of the SDR17 charge a conversion program has been introduced using the same procedure for the establishment of constructed rates i.e. 3 times per year. IATA will circulate the Attachment showing the local currency equivalents.

Resolution 509, Charges for Disbursements. Clarification of the Zambian exception and deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 509e.

Resolution 509e, Charges for Disbursements ECAA. Deletion of the Zambian and Algerian exceptions.

Resolution 511 Rates for Live Animals. Not applicable to/from USA/US Territories. Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500.

Resolution 511b, Rates for Live Animals to/from USA/US Territories. Introduction of a new Resolution for the USA/US Territories to incorporate the same rules as applied for the rest of the world in the amended Resolution 511. This resolution modifies the rates for the carriage of live animals. Rates between points in TC12 and TC31 will decrease while rates between points in TC1 will increase. A comparison of rates are shown at Attachment 1 pages 7 and 8. Delta

estimates that the revenue associated with these change will offset and there will be no change in revenues.

Resolution 512c, Charge for Preparation of Air Waybill. Use of term 'Central America' rather than showing a list of countries.

Resolution 513, Charges on Mixed Consignments. Standardizes the exclusions of 'automotive vehicles' and 'dangerous goods'. This exclusion is not expected to impact Delta Air Lines revenues.

Resolution 518, Dangerous Goods Handling Fee. Deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 518e. Simplification of the Notes used for AA and LH as well as deletion of the definition of 'Netherlands Antilles'.

Resolution 519, Fee for Charges Collect. Deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 519e.

Resolution 593, Carriage of Automotive Vehicles. Amalgamation of the three previous Resolutions without change to the application and establishes an indefinite expiry date.

Resolution 595, Special Rates for Valuable Cargo. Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500. Increases the rate from Russia to 300% of the N rate. Exception to the 200% of the N rate for various areas ( TC1/TC12 to/from Brazil; TC12/TC123 North Atlantic TC31 North and Central Pacific) and shipments greater than 1,000kgs was eliminated. Delta Air Lines does serve Russia and foresees an annual revenue increase associated with this change of \$38, 480. There will be no other changes to Delta's rates.

Resolution 596, Newspapers and Periodicals. Simplification of the application through the elimination of exceptions and a standardization of the rates. Precludes application for those areas in Europe covered by Resolution 500. The standard charge for TC1 and TC1/2 was increased to 67% of the N rate from 50% of the N rate. However, the exceptions table already specified an amount equal to or greater than 67%. The effect is no change for this resolution, and no change in Delta Air Lines revenues is expected as a result of this change.

Resolution 597, Carriage of Human Remains. Simplification of the application through the elimination of exceptions and a standardization of the rates. Elimination of the exception results in a reduction of the rates from the US to Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay.

Resolution 597, Carriage of Human Remains (TC2). Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500.

## MEMORANDUM CTC COMP 0410

This package of Resolutions represents the Area Resolutions (excluding changes to rates) agreement reached for application world-wide, except Alliance Countries.

Resolution 002, Revalidating Resolution. Revalidates Resolutions 501a, 501aa, 508aa.

Resolution 500, Special Rates System Resolution Within Europe except between Countries in the ECAA. Revalidates and simplifies the area of application and updates a Resolution reference.

Resolution 501e, International Express Service between Japan and Canada/USA. This Resolution revalidates and clarifies that only one of the reasons (in the Resolution) absolves the TC Member from responsibility, rather than all of them.

Resolution 508a, Charges for Animal ULDs TC3 (except South West Pacific)-TC1. This Resolution revalidates and clarifies the area of application. No changes were made to the charges in the Resolution.

Resolution 530, Rates and/or Charges for Unitised Consignments. Revalidates, clarifies the application of the Attachments and clarifies the combination and construction rules.

Resolution, 550 GCRs. Revalidated, application for those areas in Europe covered by Resolution 500 was precluded.

Resolution 590, SCRs. Specified Rates. Revalidated, the application of construction and combination was clarified and the area of application was amended to preclude application for those areas in Europe covered by Resolution 500.

## MEMORANDUM CTC COMP 0412

This package of Resolutions represents the rating changes reached for application world-wide to/from USA/US Territories except between USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadaloupe, Iceland, Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion, and Scandinavia.

Resolution 002, Amending Resolution to/from USA/US Territories except Alliance Countries. At previous Composite Cargo Meetings, many carriers had complained about the notes attached to the IATA cargo rates: the notes were restrictive, and created problems for the carriers that purchase the freight rate computer tape (IRIS). Additionally, many forwarders complained about the complexity that notes created when they were attached to the IATA cargo rates. As a result, it was proposed that notes not be attached to IATA cargo rates. In the event a carrier objected to a rate (and it required a note), the carrier had the option to apply a flagged rate. Changes agreed to are reflected in this resolution.

Resolution 501a, Small Package Service Japan-Canada/, Mexico/, USA. Revalidates and establishes a Japanese Yen level for the total value from Japan. This resolution has no revenue impact on Delta Air Lines.



Resolution 501aa, Small Package Service except USA-Belgium, Chile, Germany, Italy, Sweden, Switzerland, except between Countries in the ECAA. Revalidates and amends the total value from certain countries. The levels in the resolution tables are unchanged. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. This resolution has no revenue impact on Delta Air Lines.

Resolution 530, Rates and/or Charges for Unitised Consignments. Revalidates, clarifies the application of the Attachments and clarifies the combination and construction rules. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. A charge for Unit 4 was introduced for TC1 at USD 60. Unit 4 is a main deck pallet. Delta does not carry any main deck cargo and will not be affected by this resolution.

Resolution 550, GCRs. Revalidated, application for those areas in Europe covered by Resolution 500 was precluded. Changes to the Attachment are as shown in Resolution 002. General Cargo Rates (GCR) from Honolulu to Ho Chi Minh City are introduced. These rates are lower than previous constructed GCRs. GCRs at 650 kg, 2000 kg and 3000 kg from USA to Japan are deleted. This results in the application of the 500 kg rate for all traffic between 650 and 1,000 kg and the application of the 1,000 kg rate for all traffic that would have moved at the 2,000 and 3,000 kg rate. Attachment 1 page 9 compares the rates before and after this change. Delta estimates that this change will increase revenue by \$13,842 annually.

Resolution 590, SCRs. Specified Rates. Revalidated, the application of construction and combination was clarified and the area of application was amended to preclude application for those areas in Europe covered by Resolution 500. Changes to the Attachment are as shown in Resolution 002. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. Notes on rates were deleted for administrative reasons. Rates with Notes 0482 and 0509 to be retained with the notes. All notes deleted from all GS/SS/US/CS rates except 0451, 0452, 0453, 0454, 0651, 0652, 0653, 0657, 0658, 0659, 0660, 0661, 0662, 0663 various rates with notes to be canceled, as shown in Resolution 002. In addition, a review of the IATA data base had revealed pairs of points where industry SCRs existed but there were no GCRs between the same pair of points. Members were provided with a listing of the points involved. These changes are not expected to affect Delta's revenues.

#### MEMORANDUM CTC COMP 0413

This package of Resolutions represents the rating agreement reached for application between USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadeloupe, Iceland, Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion, and Scandinavia.

Resolution 001aa, Special Applicability Resolution Alliance Countries. This resolution lists the carriers who are not bound by the Agreement and who did not participate in the development of the agreement.

Resolution 002, Amending Resolution – Alliance Countries. This resolution lists the only changes to the previously existing rating structure. No general increases were developed. General Cargo Rates from Panama City to Atlanta at 100/500 kg. were deleted as was a Specific Commodity Rate for Item 9720 from Dresden to San Juan. With the incorporation of the previous resolutions specific to the Alliance Countries back into the standard resolutions, it was necessary to transfer all rates to the new Resolutions.

Resolution 501aa, Small Package Service except between Countries in the ECAA. This replaces Resolution 501ff and amends the total value from certain countries. The levels in the tables are unchanged.

Resolution 530, Rates and/or Charges for Unitised Consignments. All flagged rates/charges for Alliance Countries in Resolutions 530 for carriers listed in Resolution 001aa are deleted. This replaces Resolution 584ff and reflects no changes to the previous Resolution.

Resolution 550, GCRs. All flagged rates/charges for Alliance Countries in Resolutions 550 for carriers listed in Resolution 001aa are deleted. General Cargo Rates from Panama City to Atlanta at 100/500 kg. were deleted. These rates were higher than constructions over Miami.

Resolution 590, SCRs All flagged rates/charges for Alliance Countries in Resolutions 590 for carriers listed in Resolution 001aa are deleted. Specific Commodity Rate for Item 9720 from Dresden to San Juan was deleted. This change has no revenue impact on Delta Air Lines.

#### MEMORANDUM CTC COMP 0418

Technical correction to Memoranda CTC COMP 0412, Resolution 530 to clarify its application to/from the United States and its territories.

#### Cargo Rate Increase Revenue Summary

The following table summarizes the revenue impact associated with the changes on Deltas' divisional revenues.

<b>Resolution</b>	<b>Atlantic</b>	<b>Latin America</b>	<b>Pacific</b>
Resolution 502, Low Density Cargo	\$1,715,230	\$324,653	\$38,431
Resolution 015aa, Add-Ons Amounts	-	-	(\$23,781)
Resolution 501, Minimum Charges for Cargo	-	-	\$12,605
Resolution 595, Special Rates for Valuable Cargo	\$38,480	-	-
Resolution 550, GCRs. Deletion of 650, 2,000 and 3,000 weight break	-	-	\$13,842
Total Revenue Impact	\$1,753,710	\$324,653	\$41,096

#### Delta's Results

Delta's freight financial results for the Atlantic, Latin American and Pacific divisions are summarized at Attachment 2 page 1. Historic results are based on the fiscal year ending June

2001. This period was chosen because it is the last quarter prior to September 11, 2001. The disruption to the industry since September 11<sup>th</sup> has made the historic data for quarters following September 11<sup>th</sup> unreliable indicators of future activity. Forecast results are shown for the fiscal year ended September 30, 2003. The intended effective date for the agreement was October 1, 2002. Although the actual implementation date of the agreement is not yet determined and is subject to all required government approvals, the first full year that the agreement is in effect is illustrated by the forecast financial results shown in the attachment as the fiscal year ended September 30, 2003. The estimated financial results for the forecast period assume that fuel costs will remain at the same levels as in the historic year. All other expenses are estimated to increase 3% annually from the base period to the forecast period.

Attachment 2 pages 2 through 20 shows detailed financial information in support of the summary data shown on page 1.

If you have any comments or questions please call me at (404) 714-8163, or you may call Mr. Pryor directly at (516) 671-9314.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'S. Blane', with a long horizontal flourish extending to the right.

Steve Blane  
General Manager - Sales Development & Pricing  
Delta Air Lines, Inc.  
Air Logistics Business Unit

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates Between The United States And Various Foreign Points  
Resolution 502, Low Density Cargo

### Present Rates- 166 Cubic Inches per pound or 6,000 Cubic Centimeters per Kilogram

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	92	207	459	1,377	2,295	4,590	9,180	13,770
<u>Charges</u>								
Atlanta-Tokyo	\$384	\$665	\$1,308	\$3,136	\$4,778	\$8,973	\$17,406	\$25,234
New York-Rome	\$248	\$435	\$722	\$1,855	\$2,759	\$4,809	\$12,367	\$18,551
Rome-New York	180ECU	405ECU	535ECU	1,324ECU	1,926ECU	3,852ECU	7,703ECU	11,555ECU
Rio de Janiero-Atlanta	\$197	\$345	\$471	\$1,412	\$2,061	\$4,122	\$8,245	\$12,367

### Proposed Rates- 138 Cubic Inches per pound or 5,000 Cubic Centimeters per Kilogram

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	111	249	553	1,657	2,761	5,522	11,043	16,564
<u>Charges</u>								
Atlanta-Tokyo	\$463	\$800	\$1,575	\$3,773	\$5,748	\$10,796	\$20,938	\$30,354
New York-Rome	300ECU	523ECU	870ECU	2,232ECU	3,319ECU	5,786ECU	14,877ECU	22,315ECU
Rome-New York	£217	£487	£645	£1,593	£2,317	£4,634	£9,267	£13,900
Rio de Janiero-Atlanta	\$238	\$415	\$567	\$1,699	\$2,480	\$4,959	\$9,918	\$14,876

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	440.9	881.8	1,322.8
Atlanta-Tokyo	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%
New York-Rome	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%
Rome-New York	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%
Rio de Janiero-Atlanta	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%

Source: IATA rate tables.

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Brazilian Interior Points  
Resolution 115aa- Add-ons

### U.S. Originating

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	300	500
Atlanta-Belo Horizont	\$7.72	\$6.15	\$5.34	\$3.98	\$3.69
Atlanta-Brazalia	\$7.47	\$5.90	\$5.12	\$5.01	\$3.38
Atlanta-Porto Alegre	\$8.46	\$6.80	\$5.34	\$4.42	\$4.06
Atlanta-Manaus	\$6.38	\$4.97	\$4.69	\$3.43	\$3.20

### Proposed Rates

	N	45	100	300	500
Atlanta-Belo Horizont	\$8.06	\$6.90	\$6.31	\$5.72	\$4.82
Atlanta-Brazalia	\$9.63	\$7.48	\$6.33	\$5.27	\$4.95
Atlanta-Porto Alegre	\$9.74	\$7.57	\$6.40	\$5.34	\$5.00
Atlanta-Manaus	\$6.38	\$4.97	\$4.97	\$4.28	\$4.28

### Per Cent Change

	N	45	100	300	500
Atlanta-Belo Horizont	4.4%	12.2%	18.2%	43.7%	30.6%
Atlanta-Brazalia	28.9%	26.8%	23.6%	5.2%	46.4%
Atlanta-Porto Alegre	15.1%	11.3%	19.9%	20.8%	23.2%
Atlanta-Manaus	0.0%	0.0%	6.0%	24.8%	33.7%

Average Change                      12.1%              12.6%              16.9%              23.6%              33.5%  
Source: IATA Rate Tables

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From Brazilian Interior Points To The United States  
Resolution 115aa- Add-ons

### Brazil Originating

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	500
Belo Horizont-Atlanta	\$4.45	\$3.66	\$2.44	\$2.13
Brazalia-Atlanta	\$3.21	\$2.40	\$1.99	\$1.78
Porto Alegre-Atlanta	\$4.76	\$4.46	\$2.78	\$2.36
Manaus-Atlanta	\$3.70	\$2.98	\$2.29	\$2.01

### Proposed Rates

	N	45	100	500
Belo Horizont-Atlanta	\$4.99	\$3.90	\$2.44	\$2.13
Brazalia-Atlanta	\$4.12	\$2.86	\$2.45	\$2.08
Porto Alegre-Atlanta	\$5.99	\$4.46	\$2.78	\$2.36
Manaus-Atlanta	\$4.90	\$3.60	\$2.74	\$2.30

### Per Cent Change

	N	45	100	500
Belo Horizont-Atlanta	12.1%	6.6%	0.0%	0.0%
Brazalia-Atlanta	28.3%	19.2%	23.1%	16.9%
Porto Alegre-Atlanta	25.8%	0.0%	0.0%	0.0%
Manaus-Atlanta	32.4%	20.8%	19.7%	14.4%

Average Change	24.7%	11.6%	10.7%	7.8%
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Source: IATA Rate Tables

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 115aa- Add-ons

### U.S. Originating

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	650	1000	2000	3000
Baton Rouge-Tokyo	\$9.29	\$7.23	\$6.45	\$5.22	\$4.80	\$4.61	\$4.51	\$4.38	\$4.25
Daytona Beach-Tokyo	\$9.74	\$7.57	\$6.75	\$5.45	\$5.01	\$4.82	\$4.71	\$4.57	\$4.44
Mobile-Tokyo	\$9.74	\$7.57	\$6.75	\$5.45	\$5.01	\$4.82	\$4.71	\$4.57	\$4.44

### Proposed Rates

	N	45	100	300	500	650	1000	2000	3000
Baton Rouge-Tokyo	\$9.19	\$7.13	\$6.35	\$5.12	\$4.70	\$4.51	\$4.41	\$4.28	\$4.15
Daytona Beach-Tokyo	\$9.64	\$7.47	\$6.65	\$5.35	\$4.91	\$4.72	\$4.61	\$4.47	\$4.34
Mobile-Tokyo	\$9.64	\$7.47	\$6.65	\$5.35	\$4.91	\$4.72	\$4.61	\$4.47	\$4.34

### Per Cent Change

	N	45	100	300	500	650	1000	2000	3000
Baton Rouge-Tokyo	-1.1%	-1.4%	-1.6%	-1.9%	-2.1%	-2.2%	-2.2%	-2.3%	-2.4%
Daytona Beach-Tokyo	-1.0%	-1.3%	-1.5%	-1.8%	-2.0%	-2.1%	-2.1%	-2.2%	-2.3%
Mobile-Tokyo	-1.0%	-1.3%	-1.5%	-1.8%	-2.0%	-2.1%	-2.1%	-2.2%	-2.3%

Average Change	-1.0%	-1.3%	-1.5%	-1.9%	-2.0%	-2.1%	-2.2%	-2.2%	-2.3%
Source: IATA Rate Tables									

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From Japan To The United States  
Resolution 115aa- Add-ons

### Foreign Originating

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Tokyo-Baton Rouge	¥1,899	¥1,439	¥1,309	¥1,239	¥1,139	¥1,069
Tokyo-Daytona Beach	¥1,999	¥1,509	¥1,369	¥1,299	¥1,199	¥1,119
Tokyo-Mobile	¥1,999	¥1,509	¥1,369	¥1,299	¥1,199	¥1,119

Proposed Rates

	N	45	100	300	500	1000
Tokyo-Baton Rouge	¥1,886	¥1,426	¥1,296	¥1,226	¥1,126	¥1,056
Tokyo-Daytona Beach	¥1,986	¥1,496	¥1,356	¥1,286	¥1,186	¥1,106
Tokyo-Mobile	¥1,986	¥1,496	¥1,356	¥1,286	¥1,186	¥1,106

Per Cent Change

	N	45	100	300	500	1000
Tokyo-Baton Rouge	-0.7%	-0.9%	-1.0%	-1.1%	-1.1%	-1.2%
Tokyo-Daytona Beach	-0.7%	-0.9%	-1.0%	-1.0%	-1.1%	-1.2%
Tokyo-Mobile	-0.7%	-0.9%	-1.0%	-1.0%	-1.1%	-1.2%

Average Change	-0.7%	-0.9%	-1.0%	-1.0%	-1.1%	-1.2%
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Source: IATA Rate Tables



## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 501, Minimum Charges for Cargo

### U.S. Originating

Present Rates-Minimum Charge \$55.00

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Atlanta-Tokyo	\$55.20	\$64.40	\$73.60	\$82.80	\$92.00	\$110.40	\$128.80	\$147.20	\$165.60
Miami-Tokyo	\$56.64	\$66.08	\$75.52	\$84.96	\$94.40	\$113.28	\$132.16	\$151.04	\$169.92

Proposed Rates-Minimum Charge \$125.00

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Atlanta-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$128.80	\$147.20	\$165.60
Miami-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$132.16	\$151.04	\$169.92

Per Cent Increase

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Atlanta-Tokyo	126.4%	94.1%	69.8%	51.0%	35.9%	13.2%	0.0%	0.0%	0.0%
Miami-Tokyo	120.7%	89.2%	65.5%	47.1%	32.4%	10.3%	0.0%	0.0%	0.0%

Average Increase	123.6%	91.6%	67.7%	49.0%	34.1%	11.8%	0.0%	0.0%	0.0%
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Source: IATA tables.

**Delta Air Lines**  
Comparison Of Present And Proposed General  
Commodity Rates From The United States To Selected Foreign Points  
Resolution 511-Live Animals  
**U.S. Originating**

Present Delta Air Lines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
New York-Rome	\$5.95	\$535.50	\$1,190.00	\$3,570.00
Atlanta-Tokyo	\$9.20	\$828.00	\$1,840.00	\$5,520.00
Atlanta-Rio de Janeiro	\$9.25	\$624.38	\$1,387.50	\$4,162.50

Preposed Delta Air Lines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
New York-Rome	\$5.95	\$468.56	\$1,041.25	\$3,123.75
Atlanta-Tokyo	\$9.20	\$621.00	\$1,380.00	\$4,140.00
Atlanta-Rio de Janeiro	\$9.25	\$728.44	\$1,618.75	\$4,856.25

Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
New York-Rome	N/A	-12.5%	-12.5%	-12.5%
Atlanta-Tokyo	N/A	-25.0%	-25.0%	-25.0%
Atlanta-Rio de Janeiro	N/A	16.7%	16.7%	16.7%

Average Change	N/A	-6.9%	-6.9%	-6.9%
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Source: Delta Air Lines and IATA Rate Tables

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From Selected Foreign Points To The United States  
Resolution 511-Live Animals

### Foreign Originating

#### Present Delta Air Lines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Rome-New York	4.31ECU	388ECU	862ECU	2,586ECU
Tokyo-Atlanta	¥1,900	¥171,000	¥380,000	¥1,140,000
Rio de Janeiro-Atlanta	\$4.73	\$319	\$710	\$2,129

#### Proposed Delta Air Lines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Rome-New York	4.31ECU	339ECU	754ECU	2,263ECU
Tokyo-Atlanta	¥1,900	¥128,250	¥285,000	¥855,000
Rio de Janeiro-Atlanta	\$4.73	\$372	\$828	\$2,483

#### Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
Rome-New York	N/A	-12.5%	-12.5%	-12.5%
Tokyo-Atlanta	N/A	-25.0%	-25.0%	-25.0%
Rio de Janeiro-Atlanta	N/A	16.7%	16.7%	16.7%

Average Change                      N/A                      -6.9%                      -6.9%                      -6.9%

Source: Delta Air Lines and IATA Rate Tables

**Delta Air Lines**  
Comparison Of Present And Proposed General  
Commodity Rates From The United States To Selected Foreign Points  
Resolution 595-Valuable Cargo  
**U.S. Originating**

Present Delta Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
New York-Rome	\$5.95	\$536	\$1,190	\$3,570	\$5,950	\$11,900
Atlanta-Tokyo	\$9.20	\$828	\$1,840	\$5,520	\$9,200	\$18,400
Atlanta-Rio de Janeiro	\$9.25	\$833	\$1,850	\$5,550	\$9,250	\$18,500

Proposed Delta Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
New York-Rome	\$5.95	\$536	\$1,190	\$3,570	\$5,950	\$11,900
Atlanta-Tokyo	\$9.20	\$828	\$1,840	\$5,520	\$9,200	\$18,400
Atlanta-Rio de Janeiro	\$9.25	\$833	\$1,850	\$5,550	\$9,250	\$18,500

Per Cent Change

Weight Of Valuable Cargo (kgs)	N	45	100	300	500	1000
New York-Rome	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Atlanta-Tokyo	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Atlanta-Rio de Janeiro	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Average Change	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
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Source: Delta Air Lines and IATA Rate Tables

**Delta Air Lines**  
Comparison Of Present And Proposed General  
Commodity Rates From Selected Foreign Points ToThe United States  
Resolution 595-Valuable Cargo  
**Foreign Originating**

Present Delta Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
Moscow-New York	\$7.40	\$666	\$1,480	\$4,440	\$7,400	\$14,800
Rome-New York	4.31ECU	388ECU	862ECU	2,586ECU	4,310ECU	8,620ECU
Tokyo-Atlanta	¥1,900	¥171,000	¥380,000	¥1,140,000	¥1,900,000	¥3,800,000
Rio de Janeiro-Atlanta	\$4.73	\$426	\$946	\$2,838	\$4,730	\$9,460

Proposed Delta Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
Moscow-New York	\$7.40	\$999	\$2,220	\$6,660	\$11,100	\$14,800
Rome-New York	4.31ECU	388ECU	862ECU	2,586ECU	4,310ECU	8,620ECU
Tokyo-Atlanta	¥1,900	¥171,000	¥380,000	¥1,140,000	¥1,900,000	¥3,800,000
Rio de Janeiro-Atlanta	\$4.73	\$426	\$946	\$2,838	\$4,730	\$9,460

Per Cent Change

Weight Of Valuable Cargo (kgs)	N	45	100	300	500	1000
Moscow-New York	N/A	50.0%	50.0%	50.0%	50.0%	0.0%
Rome-New York	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Tokyo-Atlanta	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Rio de Janeiro-Atlanta	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Average Change	N/A	12.5%	12.5%	12.5%	12.5%	0.0%
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Source: Delta Air Lines and IATA Rate Tables

## Delta Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 550-Deletion of the 650, 2000 and 3000 kg Rates From The U.S. To Japan

### U.S. Originating

#### Present Rates

Atlanta-Tokyo	N	45	100	300	500	650	1000	2000	3000
	\$9.20	\$7.08	\$6.28	\$5.02	\$4.59	\$4.40	\$4.31	\$4.18	\$4.04

#### Proposed Rates

Atlanta-Tokyo	N	45	100	300	500	650	1000	2000	3000
	\$9.20	\$7.08	\$6.28	\$5.02	\$4.59	\$4.59	\$4.31	\$4.31	\$4.31

#### Per Cent Change

Atlanta-Tokyo	N	45	100	300	500	650	1000	2000	3000
	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	0.0%	3.1%	6.7%

Source: IATA rate tables.

## Delta Air Lines

### SUMMARY OF COMBINATION SERVICE FREIGHT FINANCIAL RESULTS

	HISTORIC YEAR ENDING <u>June 30, 2001</u> (\$MILLIONS)	FORECAST YEAR ENDING <u>September 30, 2003</u> (\$MILLIONS)
<b><u>Atlantic Division</u></b>		
OPERATING PROFIT	(\$62.0)	(\$72.4)
NET INCOME	(\$45.0)	(\$52.1)
INVESTMENT BASE	\$152.6	\$160.5
RETURN ON INVESTMENT		
TOTAL	(\$38.8)	(\$45.6)
PER CENT	-25.4%	-28.4%
<b><u>Latin American Division</u></b>		
OPERATING PROFIT	(\$3.5)	(\$12.0)
NET INCOME	(\$1.5)	(\$4.5)
INVESTMENT BASE	\$18.3	\$29.5
RETURN ON INVESTMENT		
TOTAL	(\$2.1)	(\$7.5)
PER CENT	-11.2%	-25.3%
<b><u>Pacific Division</u></b>		
OPERATING PROFIT	(\$15.7)	(\$2.0)
NET INCOME	(\$5.7)	(\$0.7)
INVESTMENT BASE	\$29.1	\$3.8
RETURN ON INVESTMENT		
TOTAL	(\$10.0)	(\$1.3)
PER CENT	-34.3%	-33.6%

SOURCE: Pages 2-20.

# Delta's U.S.-Atlantic Service Financial Results by Product Line

Fiscal Year Ended June 2001

U.S. Scheduled Service Financial Results								
Operating Revenue	Total Atlantic		Exclusion	Total	Passenger	Cargo	Mail	Freight
	Form 41							
Passenger	\$1,828,815,000			\$1,828,815,000	\$1,828,815,000	\$15,959,000	\$15,959,000	\$171,523,000
Mail	15,959,000			15,959,000				
Freight	171,523,000			171,523,000				
Excess Baggage	2,462,000			2,462,000	2,462,000			
Charter-Passenger	0			0				
-Property	0			0				
Other Transport	5,350,000			5,350,000	4,891,254	458,746		458,746
Transport Related Revenues	175,309,000			175,309,000	160,276,778	15,032,222		15,032,222
Total Operating Revenues	2,199,418,000			2,199,418,000	1,996,445,031	202,972,969	15,959,000	187,013,969
Operating Expense								
Fuels	312,815,000			312,815,000	265,358,846	47,456,154	2,600,407	44,855,747
Rentals - Flight	99,848,000			99,848,000	84,271,328	15,576,672	853,539	14,723,133
Flight Personnel	282,790,000			282,790,000	238,288,193	44,501,807	2,438,520	42,063,286
Other Flying Operations	17,963,000			17,963,000	15,236,369	2,726,631	149,408	2,577,223
Maintenance - Flight	140,815,000			140,815,000	119,191,993	21,623,007	1,184,854	20,438,153
Maintenance - Ground	5,500,000			5,500,000	4,679,186	820,814	44,977	775,836
Passenger Service	256,307,000			256,307,000	256,307,000	-	-	-
Aircraft and Traffic Servicing	381,355,000			381,355,000	298,129,177	83,225,823	4,560,441	78,665,382
Promotion and Sales	234,829,000			234,829,000	233,617,000	1,212,000	-	1,212,000
General and Administrative	126,596,000			126,596,000	107,702,959	18,893,041	1,035,263	17,857,778
Depreciation /Amortization - Flight	53,930,000			53,930,000	45,876,616	8,053,384	441,293	7,612,091
Depreciation /Amortization - Ground	35,011,000			35,011,000	29,785,999	5,225,001	286,309	4,938,692
Amortization - Preoperating Costs	11,848,000			11,848,000	10,079,818	1,768,182	96,889	1,671,293
Transport Related Expense	142,851,000			142,851,000	130,601,954	12,249,046	671,199	11,577,847
Total with Historic Costs	2,102,458,000			2,102,458,000	1,839,126,438	263,331,562	14,363,100	248,968,462
Fuel Cost Escalation								
Non-Fuel Cost Escalation								
Total Operating Expense	2,102,458,000			2,102,458,000	1,839,126,438	263,331,562	14,363,100	248,968,462
Operating Profit or (Loss)	96,960,000			96,960,000	157,318,593	(60,358,593)	1,595,900	(61,954,493)
Interest Expense	53,066,000			53,066,000	46,419,516	6,646,484	362,524	6,283,959
Taxable Income	43,894,000			43,894,000	110,899,076	(67,005,076)	1,233,376	(68,238,452)
Income Tax @34%	14,923,960			14,923,960	37,705,686	(22,781,726)	419,348	(23,201,074)
Net Income after Income Tax	28,970,040			28,970,040	73,193,390	(44,223,350)	814,028	(45,037,378)
Return								
Investment	1,259,635,380			1,259,635,380	1,098,239,539	161,395,841	8,801,154	152,594,687
Return on Investment	82,036,040			82,036,040	119,612,907	(37,576,867)	1,176,552	(38,753,419)
% Return	6.5%			6.5%	10.9%	-23.3%	13.4%	-25.4%



# Delta's Atlantic Scheduled Combination Service Financial Results

Forecast Year Ending September 2003

Operating Revenue	Present Rates			Proposed Rates		
	Cargo	Mail	Freight	Cargo	Mail	Freight
Mail	\$15,959,000	\$15,959,000		\$15,969,000	\$15,969,000	
Freight	171,523,000		\$171,523,000	173,276,710		\$173,276,710
Excess Baggage						
Charter-Passenger						
-Property						
Other Transport	458,746		458,746	463,437		463,437
Transport Related Revenues	15,032,222		15,032,222	15,185,917		15,185,917
Total Operating Revenues	202,972,969	15,959,000	187,013,969	204,895,064	15,969,000	188,926,064
<b>Operating Expense</b>						
Fuels	47,456,154	2,600,407	44,855,747	47,456,154	2,600,794	44,855,361
Rentals - Flight	15,576,672	853,539	14,723,133	15,576,672	853,666	14,723,006
Flight Personnel	44,501,807	2,438,520	42,063,286	44,501,807	2,438,883	42,062,924
Other Flying Operations	2,726,631	149,408	2,577,223	2,726,631	149,431	2,577,201
Maintenance - Flight	21,623,007	1,184,854	20,438,153	21,623,007	1,185,030	20,437,976
Maintenance - Ground	820,814	44,977	775,836	820,814	44,984	775,830
Passenger Service	-	-	-	-	-	-
Aircraft and Traffic Servicing	83,225,823	4,560,441	78,665,382	83,225,823	4,561,119	78,664,704
Promotion and Sales	1,212,000	-	1,212,000	1,216,979	-	1,216,979
General and Administrative	18,893,041	1,035,263	17,857,778	18,893,041	1,035,417	17,857,624
Depreciation/Amortization - Flight	8,053,384	441,293	7,612,091	8,053,384	441,359	7,612,025
Depreciation/Amortization - Ground	5,225,001	286,309	4,938,692	5,225,001	286,352	4,938,649
Amortization - Preoperating Costs	1,768,182	96,889	1,671,293	1,768,182	96,904	1,671,278
Transport Related Expense	12,249,046	671,199	11,577,847	12,374,284	678,162	11,696,122
Total with Historic Costs	263,331,562	14,363,100	248,968,462	263,461,779	14,372,100	249,089,679
Fuel Cost Escalation	-	-	-	-	-	-
Non-Fuel Cost Escalation	12,952,524	705,762	12,246,763	12,960,338	706,278	12,254,059
Total Operating Expense	276,284,086	15,068,862	261,215,224	276,422,117	15,078,378	261,343,738
Operating Profit or (Loss)	(73,311,117)	890,138	(74,201,256)	(71,527,053)	890,622	(72,417,675)
Interest Expense	6,973,405	380,338	6,593,067	6,976,889	380,578	6,596,311
Taxable Income	(80,284,522)	509,801	(80,794,323)	(78,503,942)	510,044	(79,013,986)
Income Tax @34%	(27,296,738)	173,332	(27,470,070)	(26,691,340)	173,415	(26,864,755)
Net Income after Income Tax	(52,987,785)	336,468	(53,324,253)	(51,812,602)	336,629	(52,149,231)
<b>Return</b>						
Investment	169,721,724	9,254,818	160,466,906	169,729,947	9,256,459	160,473,488
Return on Investment	(46,014,380)	716,806	(46,731,186)	(44,835,713)	717,207	(45,552,920)
% Return	-27.1%	7.7%	-29.1%	-26.4%	7.7%	-28.4%

Delta's Atlantic Nonscheduled Passenger Combination Service Traffic and Capacity Statistics

Fiscal Year Ended June 2001				
	Aircraft Type		All Types	
	B-777	B-767	MD-11	TOTAL
Total Revenue Block Hours	32,145	188,969	24,362	245,477
Scheduled	32,145	188,969	24,362	245,477
Charter	0	0	0	0
Revenue Aircraft Departures				
Scheduled	3,893	22,331	2,753	28,977
Charter	3,893	22,331	2,753	28,977
Gross Ton Departures				
Available Ton Departures :				
Passenger compartment				
Cargo compartment				
Total				
Revenue Aircraft Miles				
Available Seat Miles (000)				
Available Ton Miles (000):				
Passenger compartment				
Cargo compartment				
Total				
Seats Per Aircraft				
Available Tons Per Aircraft				
Revenue Passenger Miles (000)				
Revenue Ton Miles (000)				
U.S. Mail				
Foreign Mail				
Freight				
Total Mail and Freight				
Baggage at 35 lbs. per passenger				
Total Baggage Mail and Freight				
Passengers at 165 lbs. per passenger				
Total Revenue Ton Miles				
Seat Factor (%)				
Overall Ton Mile Load Factor (%)				
Cargo Compartment Load Factor (%)				

# Delta's Atlantic Scheduled Passenger Combination Service Traffic and Capacity Statistics

Fiscal Year Ended June 2001

	Aircraft Type		All Types
	B-777	B-767	MD-11
Total Revenue Block Hours	32,145	188,969	24,362
Scheduled	32,145	188,969	24,362
Charter	0	0	0
Revenue Aircraft Departures	3,893	22,331	2,753
Scheduled	3,893	22,331	2,753
Charter	0	0	0
Gross Ton Departures	1,062,789	4,555,524	867,195
Available Ton Departures :			
Passenger compartment	89,013	356,301	59,638
Cargo compartment	121,261	506,003	72,732
Total	210,274	862,304	132,370
Revenue Aircraft Miles	15,805,441	89,674,769	11,984,688
Available Seat Miles (000)	4,380,481	17,343,056	3,146,951
Available Ton Miles (000):	853,704	3,462,758	576,250
Passenger compartment	361,390	1,430,802	259,623
Cargo compartment	492,314	2,031,959	316,626
Total	853,704	3,462,761	576,249
Seats Per Aircraft	277	193	263
Available Tons Per Aircraft	54	39	48
Revenue Passenger Miles (000)	3,582,322	13,427,145	2,495,170
Revenue Ton Miles (000)	519,936	1,908,478	377,377
U.S. Mail	803	40,369	2,325
Foreign Mail			0
Freight	160,901	525,417	125,564
Total Mail and Freight	161,704	565,786	127,890
Baggage at 35 lbs. per passenger	62,691	234,975	43,665
Total Baggage Mail and Freight	224,394	800,761	171,555
Passengers at 165 lbs. per passenger	295,542	1,107,739	205,852
Total Revenue Ton Miles	519,936	1,908,501	377,407
Seat Factor (%)	81.8%	77.4%	79.3%
Overall Ton Mile Load Factor (%)	60.9%	55.1%	65.5%
Cargo Compartment Load Factor (%)	45.6%	39.4%	54.2%
"Wetted Volume" Available Space Basis			
Cargo compartment capacity as a % of total aircraft capacity	23.4%	25.8%	34.0%
Assigned Mail and Freight			
Cargo compartment ATM (000) 1/			
Share of cargo compartment capacity (%)	13.3%	14.6%	19.3%
Share of total aircraft capacity (%)			
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17			
in the international mail rate investigation (Docket 26487)			

# Delta's Atlantic Division Unit Costs

Fiscal Year Ended June 2001

	Aircraft Type		
Direct Operating Costs	B-777	B-767	MD-11
(Per Revenue Block Hour)			
Fuel and Oil	\$1,275	\$1,186	\$1,956
Rental	(\$3)	\$420	\$847
Cockpit Crew 1/	\$205	\$1,098	\$2,821
Other Flying Operations	\$1	\$84	\$87
Maintenance Flight	\$604	\$498	\$1,124
Depreciation and Capital Leases	\$920	\$65	\$493
Total Aircraft Operating Expense	\$3,002	\$3,350	\$7,328
1/ Includes training, taxes and benefits.	\$3,002	\$3,350	\$7,328
Indirect Operating Expense			
Ground Property and Equipment			
Maintenance		0.85 per gross ton departure	
Depreciation		5.40 per gross ton departure	
Passenger Service			
Salaries, Personnel exp., Benefits, Pensions, Payroll Tax		6.47 per available seat mile (000)	
Other Passenger Service		4.89 per revenue passenger mile (000)	
Aircraft Servicing			
Aircraft Servicing		6.40 per gross ton departure	
Aircraft Control		111 per total block hour	
Landing Fees		5.39 per gross ton departure	
Traffic Servicing			
Assigned to Passenger		311.24 per passenger cabin available ton departure	
Assigned to Cargo		170.17 per cargo compartment available ton departure	
Other Traffic Servicing		1 per total available ton departure	
Promotion and Sales			
Passenger Commissions		3.59% passenger revenue	
Property Commissions		0.28% property revenue	
Other Reservations and Sales-Passenger		7.53 per (000) RPMS	
Other Reservations and Sales-Cargo		per (000) freight RTMS	
Advertising and Publicity			
Passenger		1.15% passenger, revenue	
Cargo		0.00% property, revenue in sched. services	
General and Administrative		516 per total block hour	
Amortization other than flight equipment		48 per total block hour	
Transport Related Expense		7.14% passenger, and freight revenue	

# Delta's Atlantic Scheduled Passenger Combination Service Traffic and Capacity Statistics

Forecast Year Ending September 2003

	Aircraft Type		All Types
	B-777	B-767	MD-11
Total Block Hours	32,145	188,969	24,362
Scheduled	32,145	188,969	24,362
Charter	0	0	0
Revenue Aircraft Departures	3,893	22,331	2,753
Scheduled	3,893	22,331	2,753
Charter	0	0	0
Gross Ton Departures	1,062,789	4,555,524	867,195
Available Ton Departures :			
Passenger compartment	89,013	356,301	59,638
Cargo compartment	121,261	506,003	72,732
Total	210,274	862,304	132,370
Revenue Aircraft Miles	15,805,441	89,674,769	11,984,688
Available Seat Miles (000)	4,380,481	17,343,052	3,146,950
Available Ton Miles (000):	853,704	3,462,761	576,249
Passenger compartment	361,390	1,430,802	259,623
Cargo compartment	492,314	2,031,959	316,626
Total	853,704	3,462,761	576,249
Seats Per Aircraft	277	193	263
Available Tons Per Aircraft	54	39	48
Revenue Passenger Miles (000)	3,582,322	13,427,145	2,495,170
Revenue Ton Miles (000)			
U.S. Mail	803	40,369	2,325
Foreign Mail	0	0	0
Freight	160,901	525,417	125,564
Total Mail and Freight	161,704	565,786	127,890
Baggage at 35 lbs. per passenger	62,691	234,975	43,665
Total Baggage Mail and Freight	224,394	800,761	171,555
Passengers at 165 lbs. per passenger	295,542	1,107,739	205,852
Total Revenue Ton Miles	519,936	1,908,501	377,407
Seat Factor (%)	81.8%	77.4%	79.3%
Overall Ton Mile Load Factor (%)	60.9%	55.1%	65.5%
Cargo Compartment Load Factor (%)	45.6%	39.4%	54.2%
"Wetted Volume" Available Space Basis			
Cargo compartment capacity as a % of total aircraft capacity	23.4%	25.8%	34.0%
Assigned Mail and Freight			
Cargo compartment ATM (000) 1/			
Share of cargo compartment capacity (%)	13.3%	14.6%	19.3%
Share of total aircraft capacity (%)			
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17			
in the international mail rate investigation (Docket 26487)			

1,610,884  
56.7%  
14.9%

**Delta's U.S.-Latin American Service Financial Results by Product Line**

Fiscal Year Ended June 2001

	Total Latin American Form 41	Exclusion 1/ Form 41	U.S. Scheduled Service Financial Results				
			Total	Passenger	Cargo	Mail	Freight
<b>Operating Revenue</b>							
Passenger	\$491,868,000		\$491,868,000	\$491,868,000			
Mail	\$854,000		\$854,000		854,000		
Freight	\$24,036,000		\$24,036,000		24,036,000		24,036,000
Excess Baggage	\$1,675,000		\$1,675,000	1,675,000			
Charter-Passenger							
-Property							
Other Transport	438,000		\$438,000	417,594	20,406		20,406
Transport Related Revenues*	\$50,140,000		\$50,140,000	47,803,974	2,336,026		2,336,026
Total Operating Revenues	\$569,011,000		\$569,011,000	541,764,568	27,246,432	854,000	26,392,432
	\$569,011,000						
<b>Operating Expense</b>							
Fuels	69,498,000	149,978	69,348,022	65,189,457	4,158,565	105,296	4,053,269
Rentals - Flight	22,732,000	54,747	22,677,253	20,991,804	1,685,448	42,676	1,642,772
Flight Personnel	41,070,000	93,912	40,976,088	38,318,531	2,657,557	67,290	2,590,267
Other Flying Operations	5,323,000	12,373	5,310,627	4,775,459	535,168	13,551	521,618
Maintenance - Flight	53,720,000	106,702	53,613,298	50,558,154	3,055,143	77,357	2,977,786
Maintenance - Ground	1,927,000	4,401	1,922,599	1,797,178	125,421	3,176	122,245
Passenger Service	66,810,000	119,831	66,690,169	66,690,169	-	-	-
Aircraft and Traffic Servicing	99,852,000	221,387	99,630,613	87,448,767	12,181,846	308,446	11,873,400
Promotion and Sales	60,845,000	72,117	60,772,883	60,456,883	316,000	-	316,000
General and Administrative	33,092,000	70,720	33,021,280	30,872,722	2,148,559	54,402	2,094,157
Depreciation/Amortization - Flight	24,138,000	40,989	24,097,011	22,880,973	1,216,039	30,790	1,185,248
Depreciation/Amortization - Ground	12,410,000	28,272	12,381,728	11,576,100	805,628	20,399	785,229
Amortization - Preoperating Costs	3,721,000	7,952	3,713,048	3,471,455	241,593	6,117	235,476
Transport Related Expense	33,146,000		33,146,000	31,601,726	1,544,274	39,101	1,505,173
Total with Historic Costs	528,284,000	983,381	527,300,619	496,629,378	30,671,240	768,600	29,902,640
Fuel Cost Escalation							
Non-Fuel Cost Escalation							
Total Operating Expense	528,284,000	983,381	527,300,619	496,629,378	30,671,240	768,600	29,902,640
Operating Profit or (Loss)	40,727,000	(983,381)	41,710,381	45,135,190	(3,424,808)	85,400	(3,510,208)
Interest Expense	13,806,000	25,699	13,780,301	12,978,749	801,552	20,086	781,466
Taxable Income	26,921,000	(1,009,081)	27,930,081	32,156,441	(4,226,360)	65,314	(4,291,674)
Income Tax @34%	9,153,140	(343,087)	9,496,227	10,933,190	(1,436,962)	22,207	(1,459,169)
Net Income after Income Tax	17,767,860	(665,993)	18,433,853	21,223,251	(2,789,398)	43,107	(2,832,505)
<b>Return</b>							
Investment	318,274,706	632,118	317,642,589	298,919,775	18,722,814	468,922	18,253,892
Return on Investment	31,573,860	(640,294)	32,214,154	34,202,000	(1,987,846)	63,193	(2,051,039)
% Return	9.9%	-101.3%	10.1%	11.4%	-10.6%	13.5%	-11.2%
1/ Non revenue flying							

## Delta's Latin American Scheduled Combination Service Financial Results

Forecast Year Ending September 2003

	Present Rates			Proposed Rates		
	Cargo	Mail	Freight	Cargo	Mail	Freight
<b>Operating Revenue</b>						
Mail	871,628	871,628		871,628	871,628	
Freight	32,465,305		32,465,305	32,789,958		32,789,958
Excess Baggage						
Charter-Passenger						
-Property						
Other Transport	27,563		27,563	27,839		27,839
Transport Related Revenues*	3,155,258		3,155,258	3,186,811		3,186,811
Total Operating Revenues	36,519,754	871,628	35,648,126	36,876,235	871,628	36,004,608
<b>Operating Expense</b>						
Fuels	8,164,891	139,090	8,025,801	8,164,891	139,027	8,025,864
Rentals - Flight	3,456,520	58,882	3,397,638	3,456,520	58,856	3,397,664
Flight Personnel	4,269,931	72,739	4,197,192	4,269,931	72,706	4,197,225
Other Flying Operations	1,222,888	20,832	1,202,056	1,222,888	20,823	1,202,066
Maintenance - Flight	5,247,968	89,400	5,158,568	5,247,968	89,359	5,158,609
Maintenance - Ground	173,282	2,952	170,330	173,282	2,951	170,332
Passenger Service	-	-	-	-	-	-
Aircraft and Traffic Servicing	14,633,333	249,281	14,384,052	14,633,333	249,168	14,384,165
Promotion and Sales	426,820	-	426,820	428,508	-	428,508
General and Administrative	3,337,168	56,849	3,280,319	3,337,168	56,823	3,280,345
Depreciation/Amortization - Flight	1,969,661	33,553	1,936,107	1,969,661	33,538	1,936,123
Depreciation/Amortization - Ground	1,113,060	18,961	1,094,099	1,113,060	18,953	1,094,107
Amortization - Preoperating Costs	375,245	6,392	368,853	375,245	6,389	368,855
Transport Related Expense	2,085,843	35,533	2,050,311	2,106,702	35,872	2,070,830
Total with Historic Costs	46,476,611	784,465	45,692,146	46,499,157	784,465	45,714,693
Fuel Cost Escalation	-	-	-	-	-	-
Non-Fuel Cost Escalation	2,298,703	38,722	2,259,981	2,300,056	38,726	2,261,330
Total Operating Expense	48,775,314	823,187	47,952,127	48,799,213	823,191	47,976,022
Operating Profit or (Loss)	(12,255,560)	48,440	(12,304,000)	(11,922,978)	48,436	(11,971,415)
Interest Expense	1,274,678	21,513	1,253,165	1,275,303	21,513	1,253,790
Taxable Income	(13,530,238)	26,927	(13,557,165)	(13,198,281)	26,923	(13,225,204)
Income Tax @34%	(4,600,281)	9,155	(4,609,436)	(4,487,416)	9,154	(4,496,569)
Net Income after Income Tax	(8,929,957)	17,772	(8,947,729)	(8,710,865)	17,770	(8,728,635)
<b>Return</b>						
Investment	30,011,992	506,304	29,505,687	30,013,946	506,089	29,507,858
Return on Investment	(7,655,279)	39,285	(7,694,564)	(7,435,563)	39,283	(7,474,845)
% Return	-25.5%	7.8%	-26.1%	-24.8%	7.8%	-25.3%

# **Delta's Latin American Nonscheduled Passenger Combination Service Traffic and Capacity Statistics**

Fiscal Year Ended June 2001						
	Aircraft Type					All Types
	B-737	B-757	B-767	B-727	MD-11	TOTAL
Total Block Hours	20,551	38,696	10,380	38,696	7,509	115,832
Scheduled	20,551	38,603	10,318	38,603	7,509	115,585
Charter/Nonrevenue		93	62	93		248
Aircraft Departures	5,442	11,247	1,849	11,247	1,217	31,002
Scheduled	5,442	11,220	1,838	11,220	1,217	30,937
Charter/Nonrevenue		27	11	27		65
Gross Ton Departures		3,105	2,244	2,565		7,914
Available Ton Departures:						
Passenger compartment		403	187	403		993
Cargo compartment		282	245	282		808
Total		685	431	685		1,801
Revenue Aircraft Miles		33,963	11,797	33,963		79,723
Available Seat Miles (000)		6,225	2,973	6,225		15,423
Available Ton Miles (000):		860		860		1,719
Passenger compartment		507	200	507		1,214
Cargo compartment		354	262	354		971
Total		862	462	862		2,186
Seats Per Aircraft	153	181	206	181	268	
Available Tons Per Aircraft	21	25	39	25	50	
Revenue Passenger Miles (000)		4,332	1,605	4,332		10,269
Revenue Ton Miles (000)		433	160	433		1,027
U.S. Mail						
Foreign Mail						
Freight						
Total Mail and Freight						
Baggage at 35 lbs. per passenger		76	28	76		180
Total Baggage Mail and Freight		76	28	76		180
Passengers at 165 lbs. per passenger		357	132	357		847
Total Revenue Ton Miles		433	161	433		1,027
Seat Factor (%)		69.6%	54.0%	69.6%		66.6%
Overall Ton Mile Load Factor (%)		50.3%	34.7%	50.3%		47.0%
Cargo Compartment Load Factor (%)		21.4%	10.7%	21.4%		18.5%



**Delta's Latin American Scheduled Combination Passenger Service Traffic and Capacity Statistics**

Fiscal Year Ended June 2001						
	Aircraft Type			All Types		
	B-737	B-757	B-767	B-727	MD-11	TOTAL
Total Block Hours	20,551	38,696	10,380	38,696	7509	115,832
Scheduled	20,551	38,603	10,318	38,603	7509	115,585
Charter/Nonrevenue		93	62	93		248
Aircraft Departures	5,442	11,247	1,849	11,247	1217	31,002
Scheduled	5,442	11,220	1,838	11,220	1217	30,937
Charter/Nonrevenue		27	11	27		65
Gross Ton Departures	424,476	1,290,300	374,952	1,065,900	310,335	3,465,963
Available Ton Departures:						
Passenger compartment	68,475	167,562	31,163	167,562	26867	461,629
Cargo compartment	43,086	117,108	40,871	117,108	33953	352,125
Total	111,561	284,670	72,034	284,670	60820	813,754
Revenue Aircraft Miles	8,551,013	15,440,008	4,737,707	15,440,008	3599438	47,768,174
Available Seat Miles (000)	1,304,181	2,794,888	973,111	2,794,888	963169	8,830,237
Available Ton Miles (000):	175,296	391,740	185,662	391,740	179882	1,324,319
Passenger compartment	107,595	230,585	80,327	230,585	79461	728,553
Cargo compartment	67,701	161,153	105,352	161,153	100420	595,780
Total	175,296	391,738	185,678	391,738	179882	1,324,332
Seats Per Aircraft	153	181	206	181	268	
Available Tons Per Aircraft	21	25	39	25	50	
Revenue Passenger Miles (000)	777,610	1,789,399	495,619	1,789,399	604742	5,456,769
Revenue Ton Miles (000)	79,818	191,642	84,490	191,642	103821	651,412
U.S. Mail	106	1,055	420	1,055	428	3,063
Foreign Mail						
Freight	1,951	11,647	34,509	11,647	42919	102,672
Total Mail and Freight	2,057	12,702	34,928	12,702	43347	105,735
Baggage at 35 lbs. per passenger	13,608	31,314	8,673	31,314	10583	95,493
Total Baggage Mail and Freight	15,665	44,016	43,602	44,016	53930	201,229
Passengers at 165 lbs. per passenger	64,153	147,625	40,889	147,625	49891	450,183
Total Revenue Ton Miles	79,818	191,642	84,490	191,642	103821	651,412
Seat Factor (%)	59.6%	64.0%	50.9%	64.0%	62.8%	61.8%
Overall Ton Mile Load Factor (%)	45.5%	48.9%	45.5%	48.9%	57.7%	49.2%
Cargo Compartment Load Factor (%)	23.1%	27.3%	41.4%	27.3%	53.7%	33.8%
"Wetted Volume" Available Space Basis						
-----						
Cargo compartment capacity as a % of total aircraft capacity	17.6%	15.0%	26.6%	20.6%	18.6%	34.0%
Assigned Mail and Freight						
-----						
Cargo compartment ATM (000) 1 /						199,124
Share of cargo compartment capacity (%)						33.4%
Share of total aircraft capacity (%)	5.9%	5.0%	8.9%	6.9%	6.2%	6.5%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)						

# **Delta's Latin American Division Unit Costs**

Fiscal Year Ended June 2001

	Aircraft Type				
Direct Operating Costs	B-737 2/	B-757	B-767	B-727	MD-11
(Per Revenue Block Hour)					
Fuel and Oil	\$401	\$748	\$1,130	\$115	\$1,899
Rental	\$249	\$309	\$420	\$2	\$854
Cockpit Crew 1/	\$550	\$831	\$227	\$29	\$218
Other Flying Operations	\$215	\$64	\$88	\$11	\$90
Maintenance Flight	\$353	\$732	\$483	\$95	\$1,107
Depreciation and Capital Leases	\$125	\$325	\$126	\$33	\$501
Total Aircraft Operating Expense	\$1,893	\$3,009	\$2,474	\$284	\$4,669
1/ Includes training, taxes and benefits.					
2/ Based on Domestic data for 737 and Atlantic for MD-11.					
Indirect Operating Expense					
Ground Property and Equipment					
Maintenance		0.56	per gross ton departure		
Depreciation		3.57	per gross ton departure		
Passenger Service					
Salaries, Personnel exp., Benefits, Pensions, Payroll Tax		4.75	per available seat mile (000)		
Other Passenger Service		4.53	per revenue passenger mile (000)		
Aircraft Servicing					
Aircraft Servicing		3.16	per gross ton departure		
Aircraft Control		62	per total block hour		
Landing Fees		2.60	per gross ton departure		
Traffic Servicing					
Assigned to Passenger		88.88	per passenger cabin available ton departure		
Assigned to Cargo		88.30	per cargo compartment available ton departure		
Other Traffic Servicing		0	per total available ton departure		
Promotion and Sales					
Passenger Commissions		3.43%	passenger revenue		
Property Commissions		0.52%	property revenue		
Other Reservations and Sales-Passenger		7.02	per (000) RPMS		
Other Reservations and Sales-Cargo		1.86	per (000) freight RTMS		
Advertising and Publicity					
Passenger		1.07%	passenger, revenue		
Cargo			property, revenue in sched. services		
General and Administrative		286	per total block hour		
Amortization other than flight equipment		32	per total block hour		
Transport Related Expense		6.42%	passenger, and freight revenue in sched. services		

**Delta's Latin American Scheduled Combination Passenger Service Traffic and Capacity Statistics**

Forecast Year Ended September 2003						
	Aircraft Type				All Types	
	B-737	B-757	B-767	B-727	MD-11	TOTAL
Total Block Hours	41,103	38,696	20,235	19,348	7,509	126,891
Scheduled	41,103	38,603	30,014	19,302	7,509	136,531
Charter/Nonrevenue		93	76	46		215
Revenue Aircraft Departures	10,884	11,247	2,944	5,624	1,217	31,916
Scheduled	10,884	11,220	2,933	5,610	1,217	31,864
Charter/Nonrevenue		27	11	14		52
Gross Ton Departures	848,952	1,290,300	598,332	532,950	371,185	3,641,719
Available Ton Departures :						
Passenger compartment	136,950	167,562	49,728	83,781	26,867	464,888
Cargo compartment	86,172	117,108	65,221	58,554	33,953	361,007
Total	223,122	284,670	114,949	142,335	60,820	825,895
Revenue Aircraft Miles	17,102,026	15,440,008	10,212,707	7,720,004	3,599,438	54,074,183
Available Seat Miles (000)	2,608,362	2,794,888	2,098,842	1,397,444	963,169	9,862,705
Available Ton Miles (000):	350,592	391,740	400,253	195,870	179,882	1,518,336
Passenger compartment	215,190	230,585	173,154	115,292	79,461	813,683
Cargo compartment	135,402	161,153	227,098	80,577	100,420	704,650
Total	350,592	391,738	400,253	195,869	179,882	1,518,333
Seats Per Aircraft	153	181	206	181	268	
Available Tons Per Aircraft	21	25	39	25	50	
Revenue Passenger Miles (000)	1,555,220	1,789,399	1,068,970	894,700	604,742	5,913,030
Revenue Ton Miles (000)						
U.S. Mail	211	1,055	905	527	428	3,126
Foreign Mail						
Freight	3,902	11,647	74,388	5,823	42,919	138,679
Total Mail and Freight	4,113	12,702	75,293	6,351	43,347	141,805
Baggage at 35 lbs. per passenger	27,216	31,314	18,707	15,657	10,583	103,478
Total Baggage Mail and Freight	31,329	44,016	94,000	22,008	53,930	245,283
Passengers at 165 lbs. per passenger	128,306	147,625	88,190	73,813	49,891	487,825
Total Revenue Ton Miles	159,635	191,642	182,190	95,821	103,821	733,108
Seat Factor (%)	59.6%	64.0%	50.9%	64.0%	62.8%	60.0%
Overall Ton Mile Load Factor (%)	45.5%	48.9%	45.5%	48.9%	57.7%	48.3%
Cargo Compartment Load Factor (%)	23.1%	27.3%	41.4%	27.3%	53.7%	34.8%
"Wetted Volume" Available Space Basis						
Cargo compartment capacity as a % of total aircraft capacity	17.6%	15.0%	26.6%	20.6%	34.0%	
Assigned Mail and Freight						
Cargo compartment ATM (000) 1/						267,053
Share of cargo compartment capacity (%)						37.9%
Share of total aircraft capacity (%)	6.7%	5.7%	10.1%	7.8%	12.9%	8.6%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)						

**Delta's U.S.-Pacific Service Financial Results by Product Line**

Fiscal Year Ended June 2001

Operating Revenue	Total Pacific		Scheduled Service Financial Results				
	Form 41	Exclusion	Total	Passenger	Cargo	Mail	Freight
Passenger	\$256,556,000		\$256,556,000	\$256,556,000			
Mail	958,000		958,000		\$958,000	\$958,000	\$29,392,000
Freight	29,392,000		29,392,000		29,392,000		
Excess Baggage	368,000		368,000	368,000			
Charter-Passenger							
-Property							
Other Transport	(282,000)		(282,000)	(253,014)	(28,986)		(28,986)
Transport Related Revenues	7,522,000		7,522,000	6,748,829	773,171		773,171
Total Operating Revenues	294,514,000		294,514,000	263,419,815	31,094,185	958,000	30,136,185
294,514,000							
Operating Expense							
Fuels	60,922,000		60,922,000	48,629,460	12,292,540	227,696	12,064,845
Rentals - Flight	27,392,000		27,392,000	21,864,978	5,527,022	102,377	5,424,645
Flight Personnel	6,515,000		6,515,000	5,200,435	1,314,565	24,350	1,290,215
Other Flying Operations	2,892,000		2,892,000	2,308,467	583,533	10,809	572,725
Maintenance - Flight	35,473,000		35,473,000	28,312,608	7,160,392	132,632	7,027,759
Maintenance - Ground	741,000		741,000	591,485	149,515	2,769	146,746
Passenger Service	34,228,000		34,228,000	34,228,000	-	-	-
Aircraft and Traffic Servicing	50,968,000		50,968,000	39,897,544	11,070,456	205,059	10,865,397
Promotion and Sales	31,208,000		31,208,000	31,046,000	162,000	-	162,000
General and Administrative	16,800,000		16,800,000	13,410,179	3,389,821	62,790	3,327,031
Depreciation/Amortization - Flight	16,044,000		16,044,000	12,806,721	3,237,279	59,964	3,177,315
Depreciation/Amortization - Ground	4,590,000		4,590,000	3,663,852	926,148	17,155	908,992
Amortization - Preoperating Costs	1,551,000		1,551,000	1,238,047	312,953	5,797	307,156
Transport Related Expense	5,673,000		5,673,000	5,089,884	583,116	10,801	572,315
Total with Historic Costs	294,997,000		294,997,000	248,287,660	46,709,340	862,200	45,847,140
Fuel Cost Escalation							
Non-Fuel Cost Escalation							
Total Operating Expense	294,997,000		294,997,000	248,287,660	46,709,340	862,200	45,847,140
Operating Profit or (Loss)	(483,000)		(483,000)	15,132,155	(15,615,155)	95,800	(15,710,955)
Interest Expense	7,173,000		7,173,000	6,037,239	1,135,761	20,965	1,114,796
Taxable Income	(7,656,000)		(7,656,000)	9,094,917	(16,750,917)	74,835	(16,825,752)
Income Tax @34%	(2,603,040)		(2,603,040)	3,092,272	(5,695,312)	25,444	(5,720,756)
Net Income after Income Tax	(5,052,960)		(5,052,960)	6,002,645	(11,055,605)	49,391	(11,104,996)
Return							
Investment	185,977,467		185,977,467	156,327,530	29,649,937	547,279	29,102,658
Return on Investment	2,120,040		2,120,040	12,039,884	(9,919,844)	70,356	(9,990,200)
% Return	1.1%		1.1%	7.7%	-33.5%	12.9%	-34.3%

# Delta's Pacific Scheduled Combination Service Financial Results

Forecast Year Ending September 30, 2003

Operating Revenue	Present Rates			Proposed Rates		
	Cargo	Mail	Freight	Cargo	Mail	Freight
Mail						
Freight	\$3,843,086		\$3,843,086	3,884,182		\$3,884,182
Excess Baggage						
Charter-Passenger						
-Property						
Other Transport	(3,790)		(3,790)	(3,831)		(3,831)
Transport Related Revenues	101,094		101,094	102,175		102,175
Total Operating Revenues	3,940,390		3,940,390	3,982,527		3,982,527
Operating Expense						
Fuels	1,568,862		1,568,862	1,568,862		1,568,862
Rentals - Flight	705,398		705,398	705,398		705,398
Flight Personnel	167,774		167,774	167,774		167,774
Other Flying Operations	74,475		74,475	74,475		74,475
Maintenance - Flight	913,860		913,860	913,860		913,860
Maintenance - Ground	16,022		16,022	16,022		16,022
Passenger Service	-		-	-		-
Aircraft and Traffic Servicing	1,201,383		1,201,383	1,201,383		1,201,383
Promotion and Sales	21,182		21,182	33,479		33,479
General and Administrative	432,633		432,633	432,633		432,633
Depreciation/Amortization - Flight	413,165		413,165	413,165		413,165
Depreciation/Amortization - Ground	99,247		99,247	99,247		99,247
Amortization - Preoperating Costs	39,941		39,941	39,941		39,941
Transport Related Expense	76,244		76,244	77,059		77,059
Total with Historic Costs	5,730,187		5,730,187	5,743,299		5,743,299
Fuel Cost Escalation	-		-	-		-
Non-Fuel Cost Escalation	249,679		249,679	250,466		250,466
Total Operating Expense	5,979,866		5,979,866	5,993,765		5,993,765
Operating Profit or (Loss)	(2,039,476)		(2,039,476)	(2,011,239)		(2,011,239)
Interest Expense	145,403		145,403	145,741		145,741
Taxable Income	(2,184,879)		(2,184,879)	(2,156,980)		(2,156,980)
Income Tax @34%	(742,859)		(742,859)	(733,373)		(733,373)
Net Income after Income Tax	(1,442,020)		(1,442,020)	(1,423,607)		(1,423,607)
Return						
Investment	3,794,848		3,794,848	3,803,259		3,803,259
Return on Investment	(1,296,617)		(1,296,617)	(1,277,865)		(1,277,865)
% Return	-34.2%		-34.2%	-33.6%		-33.6%

**Delta's Pacific Nonscheduled Passenger Service Traffic and Capacity Statistics**

Fiscal Year Ended June 2001			
	Aircraft Type	All Types	
Total Revenue Block Hours	MD-11	TOTAL	
Scheduled	31,347	31,347	
Charter	31,347	31,347	
Revenue Aircraft Departures			
Scheduled	2,823	2,823	
Charter	2,823	2,823	
Gross Ton Departures			
Available Ton Departures :			
Passenger compartment			
Cargo compartment			
Total			
Revenue Aircraft Miles			
Available Seat Miles (000)			
Available Ton Miles (000) :			
Passenger compartment			
Cargo compartment			
Total			
Seats Per Aircraft			
Available Tons Per Aircraft			
Revenue Passenger Miles (000)			
Revenue Ton Miles (000)			
U.S. Mail			
Foreign Mail			
Freight			
Total Mail and Freight			
Baggage at 35 lbs. per passenger			
Total Baggage Mail and Freight			
Passengers at 165 lbs. per passenger			
Total Revenue Ton Miles			
Seat Factor (%)			
Overall Ton Mile Load Factor (%)			
Cargo Compartment Load Factor (%)			

## Delta's Pacific Scheduled Passenger Service Traffic and Capacity Statistics

Fiscal Year Ended June 2001		
	Aircraft Type	All Types
Total Revenue Block Hours	MD-11	TOTAL
Scheduled	31,347	31,347
Charter	31,347	31,347
Revenue Aircraft Departures		
Scheduled	2,823	2,823
Charter	2,823	2,823
Gross Ton Departures	861,015	861,015
Available Ton Departures :		
Passenger compartment	60,091	60,091
Cargo compartment	74,389	74,389
Total	134,479	134,479
Revenue Aircraft Miles	16,012,611	16,012,611
Available Seat Miles (000)	4,131,458	4,131,458
Available Ton Miles (000):	762,794	762,794
Passenger compartment	340,845	340,845
Cargo compartment	421,948	421,948
Total	762,794	762,794
Seats Per Aircraft	258	258
Available Tons Per Aircraft	48	48
Revenue Passenger Miles (000)	3,092,316	3,092,316
Revenue Ton Miles (000)	425,151	425,151
U.S. Mail	1,188	1,188
Foreign Mail		
Freight	114,732	114,732
Total Mail and Freight	115,920	115,920
Baggage at 35 lbs. per passenger	54,116	54,116
Total Baggage Mail and Freight	170,035	170,035
Passengers at 165 lbs. per passenger	255,116	255,116
Total Revenue Ton Miles	425,151	425,151
Seat Factor (%)	74.8%	74.8%
Overall Ton Mile Load Factor (%)	55.7%	55.7%
Cargo Compartment Load Factor (%)	40.3%	40.3%
<u>"Wetted Volume" Available Space Basis</u>		
Cargo compartment capacity as a % of total aircraft capacity	39.0%	
<u>Assigned Mail and Freight</u>		
Cargo compartment ATM (000) 1/		218,304
Share of cargo compartment capacity (%)		51.7%
Share of total aircraft capacity (%)	20.2%	20.2%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487.)		

## Delta's Pacific Division Unit Costs

Fiscal Year Ended June 2001

Aircraft Type

### Direct Operating Costs

MD-11

(Per Revenue Block Hour)

Fuel and Oil	\$1,943
Rental	\$874
Cockpit Crew 1/	\$208
Other Flying Operations	\$92
Maintenance Flight	\$1,132
Depreciation and Capital Leases	\$512

Total Aircraft Operating Expense      \$4,761

1/ Includes training, taxes and benefits.      \$4,761

### Indirect Operating Expense

#### Ground Property and Equipment

Maintenance	0.86 per gross ton departure
Depreciation	5.33 per gross ton departure

#### Passenger Service

Salaries, Personnel exp., Benefits, Pensions, Payroll Tax	5.20 per available seat mile (000)
Other Passenger Service	4.12 per revenue passenger mile (000)

#### Aircraft Servicing

Aircraft Servicing	6.43 per gross ton departure
Aircraft Control	116 per total block hour
Landing Fees	5.44 per gross ton departure

#### Traffic Servicing

Assigned to Passenger	349.66 per passenger cabin available ton departure
Assigned to Cargo	214.08 per cargo compartment available ton departure
Other Traffic Servicing	1 per total available ton departure

#### Promotion and Sales

Passenger Commissions	3.43% passenger revenue
Property Commissions	29.92% property revenue
Other Reservations and Sales-Passenger	6.29 per (000) RPMS
Other Reservations and Sales-Cargo	-75.25 per (000) freight RTMS

#### Advertising and Publiity

Passenger	1.09% passenger, revenue in sched. services
Cargo	0.00% property, revenue in sched. services

General and Administrative      536 per total block hour

Amortization other than flight equipment      49 per total block hour

Transport Related Expense      1.98% passenger, and freight revenue in sched. services



## Delta's Pacific Scheduled Passenger Service Traffic and Capacity Statistics

Forecast Year Ending September 30, 2003

	Aircraft Type	All Types
Total Block Hours	MD-11	TOTAL
Scheduled	9,654	9,654
Charter	9,654	9,654
Revenue Aircraft Departures	730	730
Scheduled	730	730
Charter		
Gross Ton Departures	222,650	222,650
Available Ton Departures :		
Passenger compartment	15,539	15,539
Cargo compartment	19,236	19,236
Total	34,775	34,775
Revenue Aircraft Miles	5,000,500	5,000,500
Available Seat Miles (000)	1,290,193	1,290,193
Available Ton Miles (000):	238,209	238,209
Passenger compartment	106,441	106,441
Cargo compartment	131,768	131,768
Total	238,209	238,209
Seats Per Aircraft	258	
Available Tons Per Aircraft	48	
Revenue Passenger Miles (000)	920,092	920,092
Revenue Ton Miles (000)		
U.S. Mail		
Foreign Mail		
Freight	15,002	15,002
Total Mail and Freight	15,002	15,002
Baggage at 35 lbs. per passenger	16,102	16,102
Total Baggage Mail and Freight	31,103	31,103
Passengers at 165 lbs. per passenger	75,908	75,908
Total Revenue Ton Miles	107,011	107,011
Seat Factor (%)	71.3%	71.3%
Overall Ton Mile Load Factor (%)	44.9%	44.9%
Cargo Compartment Load Factor (%)	23.6%	23.6%
<u>"Weighted Volume" Available Space Basis</u>		
Cargo compartment capacity as a % of total aircraft capacity	39.0%	
<u>Assigned Mail and Freight</u>		
Cargo compartment ATM (000) 1/		28,251
Share of cargo compartment capacity (%)		21.4%
Share of total aircraft capacity (%)	8.4%	8.4%

1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487.)

## DELTA AIR LINES INVESTMENT BASE

### DELTA AIR LINES BALANCE SHEET

	2nd 00	3rd 00	4th 00	1st 01	2nd 01
1889 : TOTAL ASSETS	\$19,936,677,000	\$20,341,312,000	\$20,747,552,000	\$21,739,198,000	\$22,584,927,000
1599 : TOTAL INVESTMENTS AND SPECIAL FUNDS	\$4,068,036,000	\$3,578,111,000	\$3,578,427,000	\$2,706,106,000	\$2,832,522,000
1085 : OPERATING EQUIP PURCHASE DEPOSIT + ADVANCE PAYMENT	\$475,742,000	\$368,644,000	\$294,240,000	\$278,893,000	\$251,590,000
1798 : TOTAL NONOPERATING PROPERTY AND EQUIPMENT	\$66,844,000	\$65,842,000	\$64,724,000	\$61,970,000	\$59,935,000
2000 : CURRENT MATURITIES OF LONG-TERM DEBT	\$500,000,000	\$500,000,000	\$36,814,000	\$36,814,000	\$23,248,000
2080 : CURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$42,651,000	\$43,878,000	\$39,897,000	\$40,302,000	\$40,341,000
2210 : LONG-TERM DEBT	\$4,832,787,000	\$4,832,331,000	\$6,327,760,000	\$5,624,511,000	\$5,551,418,000
2240 : ADVANCES FROM ASSOCIATED COMPANIES					
2280 : NONCURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$146,831,000	\$154,177,000	\$99,303,000	\$93,807,000	\$89,531,000
2290.9 : OTHER NONCURRENT LIABILITIES					
2299 : TOTAL NONCURRENT LIABILITIES	\$8,121,560,000	\$7,418,687,000	\$8,879,432,000	\$8,840,724,000	\$8,818,519,000
2985 : NET STOCKHOLDERS EQUITY	\$4,973,043,000	\$5,488,360,000	\$5,294,819,000	\$5,315,468,000	\$5,278,680,000
TOTAL OPERATING EXPENSE	\$3,396,023,000	\$3,561,875,000	\$3,581,425,000	\$3,696,303,000	\$3,687,072,000
TRANSPORT RELATED EXPENSE	\$81,698,000	\$91,638,000	\$97,783,000	\$77,628,000	\$107,944,000
TRANSPORT OPERATING EXPENSE (12-13)	\$3,314,325,000	\$3,470,237,000	\$3,483,642,000	\$3,618,675,000	\$3,579,128,000
NET RECOGNIZED ASSETS (1)-(2)+(3)+(4)	\$15,326,055,000	\$16,328,715,000	\$16,810,161,000	\$18,692,229,000	\$19,440,880,000
RECOGNIZED ASSETS AS A % OF TOTAL ASSETS (15 / 1)	76.9%	80.3%	81.0%	86.0%	86.1%
TOTAL DEBT (5+6+7+8+9+10)	\$5,522,269,000	\$5,530,386,000	\$6,503,774,000	\$5,795,434,000	\$5,704,538,000
TOTAL INVESTMENT (17+11)	\$10,495,312,000	\$11,018,746,000	\$11,798,593,000	\$11,110,902,000	\$10,983,218,000
DEBT AS A % OF INVESTMENT (17 / 18)	52.6%	50.2%	55.1%	52.2%	51.9%
TRANSPORT INVESTMENT (16 X 18)	\$8,068,131,362	\$8,845,150,357	\$9,559,501,184	\$9,553,596,438	\$9,454,244,557
TRANSPORT INVESTMENT AS A % TRANSPORT OPERATING EXP. (20 / 16)	2.4	2.5	2.7	2.6	2.6
DEBT / EQUITY	1.1	1.0	1.2	1.1	1.1

**FIVE QUARTERS OF TRANSPORT INVESTMENT AS A PER  
CENT OF ANNUAL OPERATING EXPENSE**

64.28%



February 6, 2003

Mr. John Kiser  
Chief, Pricing and Multilateral Affairs Division,  
Office of International Aviation  
U.S. Department of Transportation  
400 Seventh Street SW  
Washington, DC 20590

**Subject:** Composite Cargo Tariff Coordinating Conference, The Hague, 27-31 May 2002:  
CTC COMP 0396, Resolution 502 Worldwide Intended Effective Date: 1 October 2002; CTC  
COMP 0404, Resolution 502 Worldwide Rating Resolution (technical correction), Intended  
Effective Date: 1 October 2002; CTC COMP 0408, Composite Resolutions, Intended Effective  
Date: 1 October 2002; CTC COMP 0410 Worldwide Area Resolutions (excluding changes to  
rates) except Alliance Countries Intended Effective Date: 1 October 2002; CTC COMP 0412  
Worldwide Area Resolutions (changes to rates) to/from USA/US Territories except Alliance  
Countries; CTC COMP 0413 Worldwide Area Resolutions, Alliance Countries Intended  
Effective Date: 1 October 2002; CTC COMP 0418 Worldwide Area Resolutions (technical  
correction changes to rates) to/from USA/US Territories except Alliance Countries, Intended  
Effective Date: 1 October 2002.

Dear Mr. Kiser:

Pursuant to your letter of April 29, 1992 to David O'Connor, Federal Express Corporation ("FedEx") FedEx<sup>1</sup>, as one of four U.S. Participating Members of the IATA Cargo Tariff Coordinating Conference, herewith submits the following justification for the subject cargo rate agreement. The IATA carriers, meeting in the Hague from May 27 through 31, 2002, under antitrust immunity pursuant to DOT order and IATA bylaws, adopted the agreement circulated by Memorandums CTC COMP 0396, 0404, 0408, 0410, 0412, 413, and 418. The agreement was amended by Mail Vote 244<sup>2</sup>. The subject resolution affects cargo transported to and from the United States and its territories.

FedEx's current international operations may be affected by the some of the proposed changes. Although FedEx establishes its prices, rates and charges independent of anything contained in the above-referenced resolutions or other action taken under the auspices of IATA, as a Participating Member of the IATA Cargo Tariff Coordinating Conference, FedEx is providing this justification and requesting antitrust immunity from the Department of Transportation. To the extent that FedEx participates in interline traffic, FedEx's revenues may be impacted by this agreement. For example, other IATA carriers that transfer traffic to FedEx may implement these price changes and FedEx would share in any revenue changes.

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<sup>1</sup> Mr. Robert M. Pryor worked with FedEx in developing this cargo rate justification.

<sup>2</sup> Mail vote 244 amended the agreement to eliminate all rates between the U.S./U.S. Territories and Libya. Mail vote 244 was approved by Notice dated Oct. 11, 2002, Docket OST-02-13560.

In keeping with past practices, should FedEx implement or change prices, rates or charges on this or other sectors, it will do so unilaterally. Our support for the above-referenced resolutions should not be construed in any way to imply the contrary.

### **The Agreement**

#### **MEMORANDUM CTC COMP 0396**

Resolution 502, Low Density Cargo. To meet current conditions in the international freight market, the carriers amend the density rule from 6,000 cubic cm per kilogram to 5,000 cubic cm per kilogram. The Low Density Cargo conversion factor was amended from the present 6000 cc to 5000 cc in order to more accurately reflect the less dense nature of current air cargo commodities and traffic flows.

The nature of cargo tendered for carriage by air has changed considerably. A large portion of machinery and replacement parts has been replaced by hi-tech commodities such as computers, videos, CDs, DVDs, computer games, software, fashion clothing & footwear, aircraft parts, mobile phones and various other electronic equipment. Much of this cargo moves by air as the preferred mode of transit because, for the relatively high commodity value of these goods, air-freight provides a more cost-effective mode of transit when compared to traditional modes of transit such as sea-freight. These hi-tech goods have generally become lighter in weight due to technology advancements, are higher in value, and are more protectively packed with lightweight packaging materials such as polystyrene.

Over the years FedEx's cargo density has decreased in keeping with industry-wide trends. The proposed rule change serves to offset the decrease in cargo density. Attachment 1 page 1 illustrates the estimated potential revenue impact associated with the change in freight charges. It is a hypothetical estimate and assumes no corresponding reductions in rates per pound or kilogram. Reality is different. Existing contracts with the forwarding community, actions that other carriers take if and when they choose to implement these rules, and overall demand and supply issues will ultimately determine to what extent this resolution is implemented. Currently there is a very competitive worldwide market for air-freight, and, consequently, the manner in which this resolution will be implemented will be determined in the market. If adopted without other changes, associated revenue increases are estimated to be \$3.8 million for the Atlantic division, \$2.35 million for the Latin American division and \$11.1 million for the Pacific division.

#### **MEMORANDUM CTC COMP 0404**

Technical correction to Resolution 502, Low Density Cargo. Changes reference in paragraph 1 of Resolution 502 to "paragraph 3" instead of "paragraph 2."

#### **MEMORANDUM CTC COMP 0408**

Resolution 012, Glossary of Terms (Indefinite). New definitions have been introduced for: Alliance Countries – to list the countries for which Alliance Agreements exist. Caribbean Islands – definition to avoid listing all countries each time. Central America - definition to avoid listing all countries each time. Definitions have been amended for: Constructed rate – a term to be used when add-ons are used to establish a rate; Construction – deletion of reference to Resolution number; N Rate – the 1kg. Rate rather than the – 45kg or –100kg rate. These changes will not affect FedEx's revenues.

Resolution 014b, Construction Combination Rules for Cargo Rates (Indefinite). Amended to cover combination only and not construction through the use of an add-on. In the Cargo Resolutions references to 'constructed' and 'construction' had created confusion. These two terms seem to have different meanings even though they are used interchangeably. It was understood that the term "constructed rate" referred to unspecified through rates established by use of add-on amounts rather than through combination of sector rates. The problems identified related to the presentation of Resolution 014b and the lack of any clear rules relating to the application of add-on amounts. The changes adopted clarify Resolution 014b to make it applicable only to rates combined end-on and not to the use of add-on amounts. As a result Resolution 015aa was re-drafted to identify clearly the rules applicable to the use of add-on amounts, and Resolution 012 definitions of 'constructed rate' and 'constructed' were re-worded to ensure that they are unique.

Resolution 015aa, Add-Ons Amounts. The Resolution text has been amended to use the term 'Add-on' rather than 'Add-on Amounts' and to correctly reflect the reference to the Attachments. Additionally the use of the word 'Combination' has been eliminated.

The Attachments have been amended to reflect:

i.) Simplification of add-on amounts in Brazil. Constructions over Belem and Recife are eliminated and construction over Rio de Janeiro and Sao Paulo are retained. Note 0567 "Use construction which produces the lowest through rate" was eliminated. FedEx carries a minor amount of interline traffic to/from cities north of Rio de Janeiro. FedEx does not expect this change to have any measurable impact on its revenues.

ii.) The deletion of a number of add-ons bearing a note. No impact is expected from the deletion of charges bearing notes. These changes are administrative in order to clean up tables cluttered with unused rates.

iii.) A re-alignment of US add-ons for Trans-Pacific transportation. This change realigned U.S. add-ons for Pacific operations. Rates between the Southwest Pacific and the U.S. increased; rates for San Francisco, Seattle, and Portland to/from TC3 not specified in the rates tables also increased. All other add-ons decrease. FedEx expects the reduction in add-ons for U.S. domestic points served to more than offset the increases in add-ons for Southwest Pacific and other TC3 traffic. FedEx's revenues are expected to decline by \$298,000 annually as a result of these changes.

iv.) Introduction of add-ons for TC1 and TC2 for two Hawaiian points. The add-ons for these points are \$0.20 and are less than a construction with local rates.

The changes to these rates are shown at Attachment 1, pages 2 through 5.

Resolution 033c, Construction Establishment of Through Cargo Rates and Charges. Amends reference from 'Construction' to 'Establishment'. This change has no revenue implications for FedEx.

Resolution 033e, Rules for Payment of Cargo Rates, Charges and Other Amounts. Deletes the cross-reference to Resolution 033f, which has been rescinded. This change has no revenue implications for FedEx.

Resolution 033f, Administrative Provisions for the Review and Monitoring of Currency Levels. This Resolution has been rescinded as it is no longer required. This change has no revenue implications for FedEx.

Resolution 045a, TC3 Cargo Charters (except US Territories). This Resolution has been rescinded as it is no longer required. This change has no revenue implications for FedEx.

Resolution 116aa, Cargo Rates Enabling Facility and Board. Amended to: Specify its area of application. Require that a GCR structure is in place for a filing for SCRs; prohibit the use of notes on a filing; delete the provisions for a Cargo Rates Board and eliminate the link to Resolution 116bb.

Resolution 116bb, Special Enabling Resolution. Amended to: Eliminate the link to Resolution 116aa; require that a GCR structure is in place for a filing for SCRs; prohibit the use of notes on a filing; exclude application of the area for which Resolution 116aa applies; prohibit the use of the Resolution for Alliance Countries by those carriers not party to the agreements on the Alliance Countries.

Resolution 116f, GCRs Special Provisions Resolution from Japan. Reworded to clarify the use of 'Construction' and 'Combination'. This will have no effect on FedEx's revenue.

Resolution 501, Minimum Charges for Cargo. The Resolution text has been amended to preclude application for those areas in Europe covered by Resolution 500. The Attachment has been amended as follows:

- i.) Standardize the Charges from Libya world-wide. All rates between the U.S. and Libya were deleted by mail vote 244.
- ii.) Introduce charges for points where the current charges are incomplete; not to/from the U.S.
- iii.) Increase the charge from the USA to Japan. Attachment 1 page 6 shows the rate comparison for the current charge and the proposed charge. If FedEx were to adopt this change, it estimates that it would earn \$407,000 annually from it.

Resolution 501b, International Priority Service. This is an amalgamation of previously existing Resolutions 501b/501bb/501c, all of which had the same text but for different areas. The amalgamated Resolution has been made indefinite. No changes to the application have been made.

Resolution 501d – International Priority Service (TC3 and TC23/123.) This is an amalgamation of previously existing Resolutions 501d/501ff, both of which had the same text but for different areas. The amalgamated Resolution has been made indefinite. No changes to the application have been made.

Resolution 503, Charges in Relation to Value. The Attachment to this Resolution was disapproved by the US DOT in Order 2001-3-24. In order to establish an equivalent in Local Currency of the SDR17 charge a conversion program has been introduced using the same procedure for the establishment of constructed rates i.e. 3 times per year. IATA will circulate the Attachment showing the local currency equivalents.

Resolution 509, Charges for Disbursements. Clarification of the Zambian exception and deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 509e.

Resolution 509e, Charges for Disbursements ECAA. Deletion of the Zambian and Algerian exceptions.

Resolution 511b, Rates for Live Animals. Not applicable to/from USA/US Territories. Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500.

Resolution 511b, Rates for Live Animals to/from USA/US Territories. Introduction of a new Resolution for the USA/US Territories to incorporate the same rules as applied for the rest of the world in the amended Resolution 511. This resolution increases the rates for the carriage of live animals. Comparisons of rates are shown at Attachment 1 pages 7 and 8. If FedEx were to adopt this change, it estimates that the revenue associated with it would be \$103,000.

Resolution 512c, Charge for Preparation of Air Waybill. Use of term 'Central America' rather than showing a list of countries.

Resolution 513, Charges on Mixed Consignments. Standardizes the exclusions of 'automotive vehicles' and 'dangerous goods'. This exclusion is not expected to impact FedEx revenues.

Resolution 518, Dangerous Goods Handling Fee. Deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 518e. Simplification of the Notes used for AA and LH as well as deletion of the definition of 'Netherlands Antilles'.

Resolution 519, Fee for Charges Collect. Deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 519e.

Resolution 593, Carriage of Automotive Vehicles. Amalgamation of the three previous Resolutions without change to the application and establishes an indefinite expiry date.

Resolution 595, Special Rates for Valuable Cargo. Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500. Increases the rate from Russia to 300% of the N rate. Exception to the 200% of the N rate for various areas ( TC1/TC12 to/from Brazil; TC12/TC123 North Atlantic TC31 North and Central Pacific) and shipments greater than 1,000kgs was eliminated. FedEx foresees no measurable effect from this change; this proposal would not change FedEx's rates for valuable cargo.

Resolution 596, Newspapers and Periodicals. Simplification of the application through the elimination of exceptions and a standardization of the rates. Precludes application for those areas in Europe covered by Resolution 500. The standard charge for TC1 and TC1/2 was increased to 67% of the N rate from 50% of the N rate. However, the exceptions table already specified an amount equal to or greater than 67%. The effect is no change for this resolution, and no change in FedEx revenues is expected as a result of this change.

Resolution 597, Carriage of Human Remains. Simplification of the application through the elimination of exceptions and a standardization of the rates. Elimination of the exception results in a reduction of the rates from the US to Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay.

Resolution 597, Carriage of Human Remains (TC2). Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500.

#### MEMORANDUM CTC COMP 0410

This package of Resolutions represents the Area Resolutions (excluding changes to rates) agreement reached for application world-wide, except Alliance Countries.

Resolution 002, Revalidating Resolution. Revalidates Resolutions 501a, 501aa, 508aa.

Resolution 500, Special Rates System Resolution Within Europe except between Countries in the ECAA. Revalidates and simplifies the area of application and updates a Resolution reference.

Resolution 501e, International Express Service between Japan and - Canada/, USA. Revalidates and clarifies that only one of the listed reasons absolves the TC Member from responsibility rather than all of them. This resolution has no revenue impact on FedEx.

Resolution 508a, Charges for Animal ULDs TC3 (except South West Pacific)-TC1. Revalidates and clarifies the area of application. No changes were made to the charges in the Resolution.

Resolution 530, Rates and/or Charges for Unitised Consignments. Revalidates, clarifies the application of the Attachments and clarifies the combination and construction rules.

Resolution, 550 GCRs. Revalidated, application for those areas in Europe covered by Resolution 500 was precluded.

Resolution 590, SCRs. Specified Rates. Revalidated, the application of construction and combination was clarified and the area of application was amended to preclude application for those areas in Europe covered by Resolution 500.

#### MEMORANDUM CTC COMP 0412

Resolution 002, Amending Resolution to/from USA/US Territories except Alliance Countries. Shows amendments to the rates tables. No general rate increases were developed. Specific changes addressed under resolution number.

At previous Composite Cargo Meetings, many carriers had complained about the notes attached to the IATA cargo rates: the notes were restrictive, and created problems for the carriers that purchase the freight rate computer tape (IRIS). Additionally, many forwarders



complained about the complexity that notes created when they were attached to the IATA cargo rates. As a result, it was proposed that notes not be attached to IATA cargo rates. In the event a carrier objected to a rate (and it required a note), the carrier had the option to apply a flagged rate. Changes agreed to are reflected in this resolution.

Resolution 501a, Small Package Service Japan-Canada/Mexico/USA. Revalidates and establishes a Japanese Yen level for the total value from Japan. This resolution has no revenue impact on FedEx.

Resolution 501aa, Small Package Service except USA-Belgium, Chile, Germany, Italy, Sweden, Switzerland, except between Countries in the ECAA. Revalidates and amends the total value from certain countries. The levels in the resolution tables are unchanged. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. This resolution has no revenue impact on FedEx.

Resolution 530, Rates and/or Charges for Unitised Consignments. Revalidates, clarifies the application of the Attachments and clarifies the combination and construction rules. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. A charge for Unit 4 was introduced for TC1 at USD 60. Unit 4 is a main deck pallet. This resolution is not expected to have a revenue impact on FedEx.

Resolution 550, GCRs. Revalidated, application for those areas in Europe covered by Resolution 500 was precluded. Changes to the Attachment are as shown in Resolution 002. General Cargo Rates (GCR) from Honolulu to Ho Chi Minh City are introduced. These rates are lower than previous constructed GCRs. GCRs at 650 kg, 2000 kg and 3000 kg from USA to Japan are deleted. This results in the application of the 500 kg rate for all traffic between 650 and 1,000 kg and the application of the 1,000 kg rate for all traffic that would have moved at the 2,000 and 3,000 kg rate. Attachment 1 page 9 compares the rates before and after this change. Were FedEx to adopt this change, it estimates that it would increase revenue by \$927,000 annually.

Resolution 590, SCRs Specified Rates. Revalidated, the application of construction and combination was clarified and the area of application was amended to preclude application for those areas in Europe covered by Resolution 500. Changes to the Attachment are as shown in Resolution 002. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. Notes on rates were deleted for administrative reasons. Rates with Notes 0482 and 0509 to be retained. These changes are not expected to affect FedEx's revenues.

#### MEMORANDUM CTC COMP 0413

This package of Resolutions represents the rating agreement reached for application between USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadeloupe, Iceland, Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion, Scandinavia.

Resolution 001aa, Special Applicability Resolution Alliance Countries. Lists the carriers who are not bound by the Agreement and who did not participate in the development of the agreement.

Resolution 002, Amending Resolution Alliance Countries. Lists the only changes to the previously existing rating structure. No general increases were developed. General Cargo Rates from Panama City to Atlanta at 100/500 kg. were deleted as was a Specific Commodity Rate for Item 9720 from Dresden to San Juan. With the incorporation of the previous Resolutions specific to the Alliance Countries back into the standard Resolutions it was necessary to transfer all rates to the new Resolutions.

Resolution 501aa, Small Package Service except between Countries in the ECAA. This replaces Resolution 501ff and amends the total value from certain countries. The levels in the tables are unchanged.

Resolution 530, Rates and/or Charges for Unitised Consignments. All flagged rates/charges for Alliance Countries in Resolutions 530 for carriers listed in Resolution 001aa are deleted. This replaces Resolution 584ff and reflects no changes to the previous Resolution.

Resolution 550, GCRs. All flagged rates/charges for Alliance Countries in Resolutions 550 for carriers listed in Resolution 001aa are deleted. General Cargo Rates from Panama City to Atlanta at 100/500 kg were deleted. These rates were higher than constructions over Miami, and the change has no revenue impact on FedEx.

Resolution 590, SCRs All flagged rates/charges for Alliance Countries in Resolutions 590 for carriers listed in Resolution 001aa are deleted. Specific Commodity Rate for Item 9720 from Dresden to San Juan was deleted. This change has no revenue impact on FedEx.

#### MEMORANDUM CTC COMP 0418

Technical correction to Memoranda CTC COMP 0412, Resolution 530 to clarify its application to/from the United States and its territories.

#### Cargo Rate Increase Revenue Summary

The following table summarizes the estimated potential revenue impact on regional sectors of FedEx associated with the above-referenced changes.

<b>Resolution</b>	<b>Atlantic</b>	<b>Latin America</b>	<b>Pacific</b>
Resolution 502, Low Density Cargo	\$3,830,000	\$2,350,000	\$11,120,000
Resolution 015aa, Add-Ons-Amounts		-	(\$298,000)
Resolution 501, Minimum Charges for Cargo			\$407,000
Resolution 511b, Rates for Live Animals to/from USA/US Territories	\$16,000	\$98,000	(\$11,000)
Resolution 550, GCRs. Deletion of-650, 2,000 and 3,000 weight break		-	\$927,000
<b>Total Revenue Impact</b>	<b>\$3,846,000</b>	<b>\$2,448,000</b>	<b>\$12,145,000</b>

## FedEx's Results

FedEx's freight financial results for the Atlantic, Latin American and Pacific divisions are summarized at Attachment 2 page 1. Historic results are based on the fiscal year ending June 2001. This period was chosen because it is the last quarter prior to September 11, 2001. The disruption to the industry since September 11<sup>th</sup> has made the historic data for quarters following September 11<sup>th</sup> unreliable indicators of future activity. Forecast results are shown for the fiscal year ended September 30, 2003- the first full year that the agreement is in effect. The intended effective date for the agreement is October 1, 2002. The revenue associated with the dim weight changes are included under Resolution 502. The financial results are now an illustrated year as the actual implementation date for the agreement has passed. Although the actual implementation date of the agreement is not yet determined and is subject to all required government approvals, the first full year that the agreement is in effect is illustrated by the forecast financial results shown in the attachment as the fiscal year ended September 30, 2003. The estimated financial results for the forecast period assume that fuel costs will remain at the same levels as in the historic year. All other expenses are estimated to increase at various rates as shown in the notes to Attachment 2.

If you have any comments or questions please call me at (901) 434-8579 or you may call Mr. Pryor directly at (516) 671-9314.

Respectfully Submitted,



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Sarah S. Prosser

SSP/sw/466934

## FedEx

Comparison Of Present And Proposed General  
Commodity Rates Between The United States And Various Foreign Points  
Resolution 502, Low Density Cargo

**Present Rates- 166 Cubic Inches per pound or 6,000 Cubic Centimeters per Kilogram**

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	1,433.0	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	92	207	459	1,377	2,295	2,984	4,590	9,180	13,770
<u>Charges</u>									
Chicago-Tokyo	\$223	\$420	\$906	\$2,308	\$3,608	\$4,685	\$6,288	\$12,577	\$18,865
New York-London	\$183	\$320	\$649	\$1,791	\$2,801	\$3,640	\$5,600	\$11,200	\$16,799
London-New York	£92	£128	£248	£675	£1,102	£1,432	£2,203	£4,408	£6,610
Rio de Janiero-Miami	\$142	\$219	\$400	\$854	\$1,355	\$1,751	\$2,708	\$5,416	\$6,124

**Proposed Rates- 138 Cubic Inches per pound or 5,000 Cubic Centimeters per Kilogram**

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	1,433.0	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	111	249	553	1,657	2,761	3,589	5,522	11,043	16,564
<u>Charges</u>									
Chicago-Tokyo	\$268	\$504	\$1,089	\$2,863	\$4,336	\$5,636	\$7,564	\$15,128	\$22,693
New York-London	\$220	\$384	\$780	\$2,154	\$3,370	\$4,379	\$6,736	\$13,471	\$20,208
London-New York	\$110	\$152	\$299	\$812	\$1,320	\$1,723	\$2,650	\$5,300	\$7,951
Rio de Janiero-Miami	\$170	\$262	\$481	\$1,027	\$1,630	\$2,118	\$3,257	\$6,515	\$7,366

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Chicago-Tokyo	20.2%	20.0%	20.2%	24.0%	20.2%	20.3%	20.3%	20.3%	20.3%
New York-London	20.2%	20.0%	20.2%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
London-New York	19.6%	18.8%	20.6%	20.3%	19.8%	20.3%	20.3%	20.2%	20.3%
Rio de Janiero-Miami	19.7%	19.6%	20.2%	20.3%	20.3%	21.0%	20.3%	20.3%	20.3%

Source: IATA Resolution as applied by FedEx.

## FedEx

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Brazilian Interior Points  
Resolution 115aa- Add-ons

**U.S. Originating**

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	300	500
Miami-Belo Horizont	\$7.56	\$6.00	\$5.14	\$3.78	\$3.49
Miami-Brazilia	\$7.27	\$5.70	\$4.92	\$4.81	\$3.18
Miami-Porto Alegre	\$8.26	\$6.60	\$5.14	\$4.22	\$3.86
Miami-Manaus	\$6.81	\$5.32	\$4.49	\$3.23	\$3.00

## Proposed Rates

	N	45	100	300	500
Miami-Belo Horizont	\$7.86	\$6.70	\$6.11	\$5.52	\$4.62
Miami-Brazilia	\$9.43	\$7.28	\$6.13	\$5.07	\$4.75
Miami-Porto Alegre	\$9.54	\$7.37	\$6.20	\$5.14	\$4.80
Miami-Manaus	\$10.22	\$7.96	\$6.65	\$5.56	\$5.16

## Per Cent Change

	N	45	100	300	500
Miami-Belo Horizont	4.0%	11.7%	18.9%	46.0%	32.4%
Miami-Brazilia	29.7%	27.7%	24.6%	5.4%	49.4%
Miami-Porto Alegre	15.5%	11.7%	20.6%	21.8%	24.4%
Miami-Manaus	50.1%	49.6%	48.1%	72.1%	72.0%

Average Change      24.8%      25.2%      28.0%      36.3%      44.5%  
Source: IATA Resolution as applied by FedEx.

## FedEx

Comparison Of Present And Proposed General  
Commodity Rates From Brazil Interior Points To The United States  
Resolution 115aa- Add-ons

**Brazil Originating**

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	500
Belo Horizont-Miami	\$4.25	\$3.46	\$2.24	\$1.93
Brazalia-Miami	\$3.01	\$2.20	\$1.79	\$1.58
Porto Alegre-Miami	\$4.56	\$3.80	\$2.13	\$1.86
Manaus-Miami	\$3.50	\$2.78	\$2.09	\$1.81

## Proposed Rates

	N	45	100	500
Belo Horizont-Miami	\$4.79	\$3.70	\$2.24	\$1.93
Brazalia-Miami	\$3.01	\$2.20	\$1.79	\$1.58
Porto Alegre-Miami	\$4.86	\$3.80	\$2.13	\$1.86
Manaus-Miami	\$3.78	\$2.97	\$2.09	\$1.81

## Per Cent Change

	N	45	100	500
Belo Horizont-Miami	12.7%	6.9%	0.0%	0.0%
Brazalia-Miami	0.0%	0.0%	0.0%	0.0%
Porto Alegre-Miami	6.6%	0.0%	0.0%	0.0%
Manaus-Miami	8.0%	6.8%	0.0%	0.0%

Average Change      6.8%      3.4%      0.0%      0.0%

Source: IATA Resolution as applied by FedEx.

## FedEx

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Australia/Asia  
Resolution 115aa- Add-ons

**U.S. Originating**

## Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Fresno-Sydney	\$7.12	\$6.17	\$5.42	\$4.82	\$4.48	\$4.15
Tallahassee-Sydney	\$7.36	\$6.41	\$5.66	\$5.06	\$4.72	\$4.39
Portland-Singapore	\$5.57	\$4.72	\$4.37	\$4.31	\$3.89	\$3.52
Albany-Tokyo	\$5.52	\$4.56	\$4.54	\$4.48	\$4.04	\$3.65
Fresno-Singapore	\$5.80	\$4.94	\$4.59	\$4.54	\$4.12	\$3.75

## Proposed Rates

	N	45	100	300	500	1000
Fresno-Sydney	\$7.12	\$6.17	\$5.42	\$4.82	\$4.48	\$4.15
Tallahassee-Sydney	\$7.56	\$6.61	\$5.86	\$5.26	\$4.92	\$4.59
Portland-Singapore	\$5.77	\$4.92	\$4.57	\$4.51	\$4.09	\$3.72
Albany-Tokyo	\$5.42	\$4.46	\$4.44	\$4.38	\$3.94	\$3.55
Fresno-Singapore	\$5.70	\$4.84	\$4.49	\$4.44	\$4.02	\$3.65

## Per Cent Change

	N	45	100	300	500	1000
Fresno-Sydney	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tallahassee-Sydney	2.7%	3.1%	3.5%	4.0%	4.2%	4.6%
Portland-Singapore	3.6%	4.2%	4.6%	4.6%	5.1%	5.7%
Albany-Tokyo	-1.8%	-2.2%	-2.2%	-2.2%	-2.5%	-2.7%
Fresno-Singapore	-1.7%	-2.0%	-2.2%	-2.2%	-2.4%	-2.7%

Average Change            0.6%      0.6%      0.7%      0.8%      0.9%      1.0%

Source: IATA Resolution as applied by FedEx.

## FedEx

Comparison Of Present And Proposed General  
Commodity Rates From Australia/Asia To The United States  
Resolution 115aa- Add-ons

**Foreign Originating**

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Sydney-Fresno	A\$17.13	A\$8.28	A\$5.18	A\$4.48	A\$4.23	A\$4.23
Sydney-Tallahassee	A\$19.15	A\$10.30	A\$7.20	A\$6.50	A\$6.25	A\$6.25
Singapore-Portland	S\$7.85	S\$6.53	S\$6.44	S\$6.13	S\$6.04	S\$5.87
Tokyo-Albany	¥895	¥782	¥752	¥721	¥694	¥688
Singapore-Fresno	S\$8.91	S\$7.58	S\$7.49	S\$7.18	S\$7.10	S\$6.93

## Proposed Rates

	N	45	100	300	500	1000
Sydney-Fresno	A\$17.13	A\$8.28	A\$5.18	A\$4.48	A\$4.23	A\$4.23
Sydney-Tallahassee	A\$19.53	A\$10.68	A\$7.58	A\$6.88	A\$6.63	A\$6.63
Singapore-Portland	S\$8.22	S\$6.90	S\$6.81	S\$6.50	S\$6.41	S\$6.24
Tokyo-Albany	¥882	¥769	¥739	¥708	¥681	¥675
Singapore-Fresno	S\$8.73	S\$7.40	S\$7.31	S\$7.00	S\$6.92	S\$6.75

## Per Cent Change

	N	45	100	300	500	1000
Sydney-Fresno	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sydney-Tallahassee	2.0%	3.7%	5.3%	5.9%	6.1%	6.1%
Singapore-Portland	4.7%	5.6%	5.7%	6.0%	6.0%	6.2%
Tokyo-Albany	-1.5%	-1.7%	-1.7%	-1.8%	-1.9%	-1.9%
Singapore-Fresno	-2.0%	-2.4%	-2.4%	-2.5%	-2.6%	-2.6%

Average Change	0.5%	0.9%	1.1%	1.2%	1.3%	1.3%
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Source: IATA Resolution as applied by FedEx.



## FedEx

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 501, Minimum Charges for Cargo  
**U.S. Originating**

Present Rates-Minimum Charge \$55.00 IATA Rate

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Chicago-Tokyo	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$63.84	\$74.48	\$85.12	\$95.78
New York-Tokyo	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$65.04	\$75.88	\$86.72	\$97.66
San Francisco-Tokyo	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$60.96	\$71.12	\$81.28	\$91.44

Proposed Rates-Minimum Charge \$125.00

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Chicago-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
New York-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
San Francisco-Tokyo	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00

Per Cent Increase

Weight Transported (kgs)	6	7	8	9	10	12	14	16	18
Chicago-Tokyo	127.3%	127.3%	127.3%	127.3%	127.3%	95.8%	67.8%	46.9%	30.5%
New York-Tokyo	127.3%	127.3%	127.3%	127.3%	127.3%	92.2%	64.7%	44.1%	28.0%
San Francisco-Tokyo	127.3%	127.3%	127.3%	127.3%	127.3%	105.1%	75.8%	53.8%	36.7%

Average Increase	127.3%	127.3%	127.3%	127.3%	127.3%	97.7%	69.4%	48.3%	31.7%
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Source: IATA Resolution as applied by FedEx.

**FedEx**  
 Comparison Of Present And Proposed  
 Commodity Rates From The United States To Selected Foreign Points  
 Resolution 511-Live Animals  
**U.S. Originating**

Present FedEx' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Chicago-London	\$9.62	\$7.75	\$6.95	\$6.85
Los Angeles-Tokyo	\$12.70	\$10.58	\$10.23	\$10.08
Miami-Sao Paulo	\$9.45	\$7.79	\$7.16	\$6.41

Proposed FedEx' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Chicago-London	\$10.99	\$8.86	\$7.94	\$7.83
Los Angeles-Tokyo	\$12.19	\$10.16	\$9.82	\$9.68
Miami-Sao Paulo	\$11.25	\$9.27	\$8.52	\$7.63

Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
Chicago-London	14.2%	14.3%	14.2%	14.3%
Los Angeles-Tokyo	-4.0%	-4.0%	-4.0%	-4.0%
Miami-Sao Paulo	19.0%	19.0%	19.0%	19.0%

Average Change	9.8%	9.8%	9.7%	9.8%
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Source: IATA Resolution as applied by FedEx.

## FedEx

Comparison Of Present And Proposed I  
Commodity Rates From Selected Foreign Points To The United States  
Resolution 511-Live Animals

**Foreign Originating**

## Present FedEx Charge

Weight Of Animal (kgs)	N Rate	45	100	300
London-Chicago	£5.08	£3.23	£2.90	£2.73
Tokyo-Los Angeles	¥1,615	¥1,377	¥1,314	¥1,249
Sao Paulo-Miami	\$7.12	\$4.87	\$4.01	\$3.53

## Proposed Charge

Weight Of Animal (kgs)	N Rate	45	100	300
London-Chicago	£5.81	£3.69	£3.31	£3.12
Tokyo-Los Angeles	¥1,846	¥1,574	¥1,502	¥1,427
Sao Paulo-Miami	\$9.32	\$6.38	\$5.25	\$4.62

## Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
London-Chicago	14.4%	14.2%	14.1%	14.3%
Tokyo-Los Angeles	14.3%	14.3%	14.3%	14.3%
Sao Paulo-Miami	30.9%	31.0%	30.9%	30.9%

Average Change	19.9%	19.9%	19.8%	19.8%
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Source: IATA Resolution as applied by FedEx.

## FedEx

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 550-Deletion of the 650, 2000 and 3000 kg Rates From The U.S. To Japan  
**U.S. Originating**

## Present Rates

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Tokyo	\$5.32	\$4.46	\$4.33	\$4.27	\$3.83	\$3.83	\$3.44	\$3.02	\$3.02
New York-Tokyo	\$5.42	\$4.56	\$4.44	\$4.38	\$3.93	\$3.93	\$3.55	\$3.12	\$3.12
Los Angeles-Tokyo	\$5.08	\$4.23	\$4.09	\$4.03	\$3.58	\$3.58	\$3.20	\$2.77	\$2.77

## Proposed Rates

	<45	45	100	300	500	650	1000	2000	3000
Dallas-Tokyo	\$5.32	\$4.46	\$4.33	\$4.27	\$3.83	\$3.83	\$3.44	\$3.44	\$3.44
New York-Tokyo	\$5.42	\$4.56	\$4.44	\$4.38	\$3.93	\$3.93	\$3.55	\$3.55	\$3.55
San Jose-Tokyo	\$5.08	\$4.23	\$4.09	\$4.03	\$3.58	\$3.58	\$3.20	\$3.20	\$3.20

## Per Cent Increase

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.9%	13.9%
New York-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.8%	13.8%
Los Angeles-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.5%	15.5%

Average Increase       -               -               -               -               -               0.0%       -               14.4%       14.4%

Source: IATA Resolution as applied by FedEx.

**FedEx****SUMMARY OF COMBINATION SERVICE FREIGHT FINANCIAL RESULTS**

	HISTORIC YEAR ENDING <u>June 30, 2001</u> (\$MILLIONS)	FORECAST YEAR ENDING <u>September 30, 2003</u> (\$MILLIONS)
<b><u>Atlantic Division</u></b>		
OPERATING PROFIT	(\$15.5)	(\$46.9)
NET INCOME	(\$13.2)	(\$34.0)
INVESTMENT BASE	\$639.9	\$639.9
RETURN ON INVESTMENT		
TOTAL	(\$9.8)	(\$30.6)
PER CENT	-1.5%	-4.8%
<b><u>Latin American Division</u></b>		
OPERATING PROFIT	\$117.4	\$106.4
NET INCOME	\$76.3	\$69.0
INVESTMENT BASE	\$256.7	\$256.7
RETURN ON INVESTMENT		
TOTAL	\$77.6	\$70.3
PER CENT	30.2%	27.4%
<b><u>Pacific Division</u></b>		
OPERATING PROFIT	(\$60.1)	(\$104.5)
NET INCOME	(\$44.4)	(\$73.7)
INVESTMENT BASE	\$941.0	\$941.0
RETURN ON INVESTMENT		
TOTAL	(\$39.3)	(\$68.6)
PER CENT	-4.2%	-7.3%

SOURCE: Pages 2-7.

**FEDERAL EXPRESS**  
**AIR FREIGHT SCHEDULED SERVICE INCOME STATEMENT**  
(\$ in 000's)

<b>ATLANTIC</b>	<b>HISTORIC (1)</b>	<b>FORECAST YEAR</b>	<b>RATE</b>	<b>PROPOSED</b>
	<b>YEAR ENDED</b>	<b>ENDED</b>	<b>MAKING</b>	<b>RATES</b>
	<b>06/30/2001</b>	<b>SEPTEMBER 2003</b>	<b>ADJUSTMENT</b>	
		<b>PRESENT RATES</b>		
<b>OPERATING REVENUES</b>				
Freight	\$792,381	\$792,381	\$3,846 (2)	\$796,227
Mail	382	382		382
Other Transport	26,101	26,101	127	26,227
Total Operating Revenues	\$818,864	\$818,864	\$3,973	\$822,836
<b>OPERATING EXPENSES</b>				
Flying Operations	272,275	283,936 (3)		\$283,936
Maintenance	142,282	153,665 (3)		153,665
Passenger Service				
Acft. & Traff. Svcg.	203,594	215,809 (3)		215,809
Promo & Sales	47,892	47,892	232 (4)	48,124
General & Administrative	123,822	123,822	601 (5)	124,423
Deprec. & Amort.	44,449	47,116 (3)		47,116
Transport Related				
Total Operating Expense	\$834,314	\$872,240	\$833	\$873,074
Operating Profit and Loss	(\$15,451)	(\$53,377)	\$3,139	(\$50,238)
<b>NONOPERATING</b>				
Interest: Long-Term Debt	(4,033)	(4,033)		(\$4,033)
and Capital Leases				
Other Interest Expense	614	614		614
Foreign Exchange Gains and Losses	(419)	(419)		(419)
Capital Gain & Loss	240	240		240
Other Income and Expenses-Net	(1,022)	(1,022)		(1,022)
Nonoperating Income	(\$4,619)	(\$4,619)		(\$4,619)
Income before Taxes	(\$20,070)	(\$57,996)	\$3,139	(\$54,857)
<b>INCOME TAXES @ 34%</b>	(6,824)	(19,719)	1,067	(18,651)
<b>NET INCOME</b>	<u>(\$13,246)</u>	<u>(\$38,277)</u>	<u>\$2,072</u>	<u>(\$36,205)</u>
<b>INVESTMENT BASE</b>	639,919	639,919		639,919
Return on Investment	(\$9,827)	(\$34,858)		(\$32,787)
Rate of Return on Investment	<u>-1.5%</u>	<u>-5.4%</u>		<u>-5.1%</u>

(1) Source: DOT Form 41, Schedule P 1.2 adjusted to remove nonscheduled and transport related revenues and expense.

(2) See page 8 of transmittal letter.

(3) Based on historic years fuel price of 90.6 cents per gallon and nonfuel cost escalation of 6% for salaries, 8% for maintenance, 6% for aircraft and traffic servicing expense and 6% for all other expense. Nonfuel cost escalation covers 2.25 years from midpoint of base year-December 2000 to midpoint of forecast year March 2003.

(4) 6.04% of freight revenue.

(5) 15.6% of freight revenue.

**FEDERAL EXPRESS  
FREIGHT AND MAIL OPERATING STATISTICS**

**ATLANTIC**

Scheduled

HISTORIC  
YEAR ENDED  
06/30/2001

BLOCK HOURS	58,399
DEPARTURES	20,787
RTM'S (000)	1,112,773
ATM'S (000)	1,417,021
LOAD FACTOR	78.5%

**FEDERAL EXPRESS**  
**AIR FREIGHT SCHEDULED SERVICE INCOME STATEMENT**  
(\$ in 000's)

LATIN AMERICA	FORECAST YEAR			
	HISTORIC (1)	ENDED	RATE	PROPOSED
	YEAR ENDED	SEPTEMBER 2003	MAKING	
	06/30/2001	PRESENT RATES	ADJUSTMENT	RATES
OPERATING REVENUES				
Freight	\$443,448	\$443,448	\$2,448 (2)	\$445,896
Mail	100	100		100
Other Transport Revenue	8,560	8,560	\$47	\$8,607
Total Operating Revenues	\$452,108	\$452,108	\$2,495	\$454,603
OPERATING EXPENSES				
Flying Operations	128,280	134,194 (3)		\$134,194
Maintenance	37,355	40,343 (3)		40,343
Passenger Service				
Acft. & Traff. Svcs.	72,552	76,905 (3)		76,905
Promo & Sales	18,038	18,038	100 (4)	18,138
General & Administrative	50,639	50,639	280 (5)	50,919
Deprec. & Amort.	27,796	29,463 (3)		29,463
Transport Related				
Total Operating Expense	\$334,660	\$349,583	\$379	\$349,962
Operating Profit and Loss	\$117,448	\$102,525	\$2,116	\$104,641
NONOPERATING				
Interest: Long-Term Debt and Capital Leases	(1,634)	(1,634)		(\$1,634)
Other Interest Expense	249	249		249
Foreign Exchange Gains and Losses	(178)	(178)		(178)
Capital Gain & Loss	98	98		98
Other Income and Expenses-Net	(438)	(438)		(438)
Nonoperating Income	(\$1,903)	(\$1,903)		(\$1,903)
Income before Taxes	\$115,545	\$100,622	\$2,116	\$102,738
INCOME TAXES @ 34%	39,285	34,212	719	34,931
NET INCOME	\$76,260	\$66,411	\$1,397	\$67,807
INVESTMENT BASE				
	256,684	256,684		256,684
Return on Investment (5)	\$77,645	\$67,796		\$69,192
Rate of Return on Investment	30.2%	26.4%		27.0%

(1) Source: DOT Form 41, Schedule P 1.2 adjusted to remove nonscheduled and transport related revenues and expense.

(2) See page 8 of transmittal letter.

(3) Based on historic years fuel price of \$1.03 per gallon and nonfuel cost escalation of 6% for salaries, 8% for maintenance, 6% for aircraft and traffic servicing expense and 6% for all other expense. Nonfuel cost escalation covers 2.25 years from midpoint of base year-December 2000 to midpoint of forecast year March 2003.

(4) 4.07% of freight revenue.

(5) 11.42% of freight revenue.



**FEDERAL EXPRESS  
FREIGHT AND MAIL OPERATING STATISTICS**

**LATIN AMERICA**

Scheduled

HISTORIC  
YEAR ENDED  
06/30/2001

BLOCK HOURS	42,077
DEPARTURES	20,194
RTM'S (000)	220,077
ATM'S (000)	390,285
LOAD FACTOR	56.4%

**FEDERAL EXPRESS**  
**AIR FREIGHT SCHEDULED SERVICE INCOME STATEMENT**  
(\$ in 000's)

		FORECAST YEAR		
PACIFIC	HISTORIC (1)	ENDED	RATE	PROPOSED
	YEAR ENDED	SEPTEMBER 2003	MAKING	RATES
	06/30/2001	PRESENT RATES	ADJUSTMENT	
OPERATING REVENUES				
Freight	\$1,133,796	\$1,133,796	\$12,145 (2)	\$1,145,941
Mail	11,050	11,050		11,050
Other Transport Revenue	21,918	21,918	235	22,153
Total Operating Revenues	\$1,166,764	\$1,166,764	\$12,380	\$1,179,144
OPERATING EXPENSES				
Flying Operations	425,231	441,561 (3)		\$441,561
Maintenance	159,403	172,155 (3)		172,155
Passenger Service	0	0		0
Acft. & Traff. Svcs.	316,282	335,259 (3)		335,259
Promo & Sales	58,763	58,763	629 (4)	59,393
General & Administrative	184,540	184,540	1,977 (5)	186,517
Deprec. & Amort.	82,683	87,644 (3)		87,644
Transport Related	0	0		0
Total Operating Expense	\$1,226,902	\$1,279,922	\$2,606	\$1,282,528
Operating Profit and Loss	(\$60,138)	(\$113,158)	\$9,774	(\$103,384)
NONOPERATING				
Interest: Long-Term Debt and Capital Leases	(6,014)	(6,014)		(\$6,014)
Other Interest Expense	893	893		893
Foreign Exchange Gains and Losses	(596)	(596)		(596)
Capital Gain & Loss	348	348		348
Other Income and Expenses-Net	(1,735)	(1,735)		(1,735)
Nonoperating Income	(\$7,104)	(\$7,104)	\$0	(\$7,104)
Income before Taxes	(\$67,242)	(\$120,262)	\$9,774	(\$110,489)
INCOME TAXES @ 34%	(22,862)	(40,889)	3,323	(37,566)
NET INCOME	(\$44,380)	(\$79,373)	\$6,451	(\$72,922)
INVESTMENT BASE				
INVESTMENT BASE	941,034	941,034		941,034
Return on Investment	(\$39,259)	(\$74,252)		(\$67,801)
Rate of Return on Investment	-4.2%	-7.9%		-7.2%

(1) Source: DOT Form 41, Schedule P 1.2 adjusted to remove nonscheduled and transport related revenues and expense.

(2) See page 8 of transmittal letter.

(3) Based on historic years fuel price of 88.9 cents per gallon and nonfuel cost escalation of 6% for salaries, 8% for maintenance, 6% for aircraft and traffic servicing expense and 6% for all other expense. Nonfuel cost escalation covers 2.25 years from midpoint of base year-December 2000 to midpoint of forecast year March 2003.

(4) 5.18% of freight revenue.

(5) 16.28% of freight revenue.

**FEDERAL EXPRESS  
FREIGHT AND MAIL OPERATING STATISTICS**

**PACIFIC**  
Scheduled

HISTORIC  
YEAR ENDED  
06/30/2001

BLOCK HOURS	72,966
DEPARTURES	19,125
RTM'S (000)	2,496,882
ATM'S (000)	2,926,956
LOAD FACTOR	85.3%

## FEDERAL EXPRESS

## FEDERAL EXPRESS - SYSTEM

	2nd 00	3rd 00	4th 00	1st 01	2nd 01
1899 : TOTAL ASSETS	\$9,413,273,000	\$9,148,235,000	\$9,380,765,000	\$9,459,741,000	\$9,616,549,000
1599 : TOTAL INVESTMENTS AND SPECIAL FUNDS					
1685 : OPERATING EQUIP PURCHASE DEPOSIT + ADVANCE PAYMNT	\$34,903,000	\$31,071,000	\$37,554,000	\$44,495,000	\$43,858,000
1799 : TOTAL NONOPERATING PROPERTY AND EQUIPMENT	\$16,839,000	\$22,339,000	\$22,340,000	\$30,834,000	\$191,830,000
2000 : CURRENT MATURITIES OF LONG-TERM DEBT					
2080 : CURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$1,043,950,000	\$1,038,511,000	\$1,038,572,000	\$1,027,299,000	\$852,359,000
2210 : LONG-TERM DEBT					
2240 : ADVANCES FROM ASSOCIATED COMPANIES					
2280 : NONCURRENT OBLIGATIONS UNDER CAPITAL LEASES					
2290.9 : OTHER NONCURRENT LIABILITIES	\$339,976,000	\$347,360,000	\$349,623,000	\$330,170,000	\$312,352,000
2299 : TOTAL NONCURRENT LIABILITIES	\$1,505,021,000	\$1,517,813,000	\$1,523,043,000	\$1,494,766,000	\$1,315,700,000
2995 : NET STOCKHOLDERS' EQUITY	\$3,762,504,000	\$3,955,383,000	\$4,094,506,000	\$4,227,516,000	\$4,240,152,000
TOTAL OPERATING EXPENSE	\$3,621,439,000	\$3,618,958,000	\$3,732,783,000	\$3,609,237,000	\$3,678,901,000
TRANSPORT RELATED EXPENSE	\$1,924,036,000	\$1,900,295,000	\$1,934,147,000	\$1,894,208,000	\$1,833,767,000
TRANSPORT OPERATING EXPENSE (12-13)	1,697,403,000	1,718,663,000	1,798,636,000	1,715,029,000	1,845,134,000
NET RECOGNIZED ASSETS(1)-(2+3+4)	9,378,370,000	9,117,164,000	9,343,211,000	9,415,246,000	9,572,691,000
RECOGNIZED ASSETS AS A % OF TOTAL ASSETS (15/1)	99.6%	99.7%	99.6%	99.5%	99.5%
TOTAL DEBT (5+6+7+8+9+10)	1,400,765,000	1,408,210,000	1,410,535,000	1,388,303,000	1,356,541,000
TOTAL INVESTMENT (17+11)	5,163,269,000	5,363,593,000	5,505,041,000	5,615,819,000	5,596,693,000
DEBT AS A % OF INVESTMENT (17/18)	27.1%	26.3%	25.6%	24.7%	24.2%
TRANSPORT INVESTMENT (16 X 18)	5,144,124,375	5,345,376,131	5,483,002,679	5,589,404,337	5,571,168,276
TRANSPORT INVESTMENT AS A % TRANSPORT OPERATING EXP (20/14)	3.03	3.11	3.05	3.26	3.02
DEBT/EQUITY	0.37	0.36	0.34	0.33	0.32

FIVE QUARTERS OF TRANSPORT INVESTMENT AS A PER CENT OF  
ANNUAL OPERATING EXPENSE

76.7%

Mr. John Kiser  
Chief, Pricing and Multilateral Affairs Division,  
Office of International Aviation  
U.S. Department of Transportation  
400 Seventh Street SW  
Washington, DC 20590

**Subject:** Composite Cargo Tariff Coordinating Conference, The Hague, 27-31 May 2002:  
CTC COMP 0396, Resolution 502 Worldwide Intended Effective Date: 1 October 2002; CTC  
COMP 0404, Resolution 502 Worldwide Rating Resolution (technical correction), Intended  
Effective Date: 1 October 2002; CTC COMP 0408, Composite Resolutions, Intended Effective  
Date: 1 October 2002; CTC COMP 0410 Worldwide Area Resolutions (excluding changes to  
rates), Except Alliance Countries, Intended Effective Date: 1 October 2002; CTC COMP 0412,  
Worldwide Area Resolutions (changes to rates) to/from USA/US Territories, Except Alliance  
Countries; CTC COMP 0413, Worldwide Area Resolutions, Alliance Countries, Intended  
Effective Date: 1 October 2002; CTC COMP 0418 Worldwide Area Resolutions (technical  
correction changes to rates) to/from USA/US Territories except Alliance Countries, Intended  
Effective Date: 1 October 2002.

Dear Mr. Kiser:

Pursuant to your letter of April 29, 1992 to David O'Connor, United Air Lines<sup>1</sup> herewith submits justification for the subject cargo rate agreement. The IATA carriers, meeting in the Hague from May 27 through 31, 2002, adopted the agreement circulated by Memorandums CTC COMP 0396, 0404, 0408, 0410, 0412 and 0413 and 418. The agreement was amended by Mail Vote 244<sup>2</sup>. The subject resolution affects cargo transported to and from the United States and its territories. United's current international operations are affected by the proposed changes.

### **The Agreement**

#### **MEMORANDUM CTC COMP 0396**

Resolution 502, Low Density Cargo. To meet current conditions in the international freight market, the carriers amended the density rule from 6,000 cubic cm. per kilogram to 5,000 cubic cm per kilogram. The Low Density Cargo conversion factor was amended in order to more accurately reflect the current operating circumstances in respect of aircraft types/capacities and the less dense nature of current air cargo commodities and traffic flows.

Many of United's aircraft and routes tend to "volume out" before the weight limitations are reached. Over the past years, despite very significant changes to aircraft weight and flight / distance uplift capabilities no adjustments to the rate structure have been made to reflect these changes. Most air cargo today is carried in wide body aircraft. The power of the engines used on these modern aircraft provide a substantial increased weight payload over much greater non-stop sectors. However, the available volume capacity has not materially changed. As a result, the benefit of this greater weight uplift capability has not been achieved as the current

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<sup>1</sup> Mr. Robert M. Pryor worked with United in developing this cargo rate justification.

<sup>2</sup> Mail vote 244 amended the agreement to eliminate all rates between the U.S./U.S. Territories and Libya. Mail vote 244 was approved by Notice dated Oct. 11, 2002, Docket OST-02-13560.

method of charging for volume space used still means that most of United's Atlantic, Pacific and Latin American aircraft will volume out at approximately 50% of its weight capability.

In addition to the changes in aircraft capabilities, the nature of cargo tendered for carriage by air has changed considerably. The large share of machinery and replacement parts has been reduced by hi-tech commodities such as computers, videos, CDs, DVDs, computer games, software, fashion clothing & footwear, aircraft parts, mobile phones and various other electronic equipment. Much of this cargo moves by air as the preferred mode, because the relatively high commodity values provide a more cost-effective option compared to traditional forms of transport such as sea-freight. These hi-tech goods have generally become lighter in weight due to technology advancements, higher in value and more protectively packed with lightweight packaging materials such as polystyrene. The present air cargo industry volume allowance is far too lenient, and does not provide an adequate return on the limited capacity available.

By contrast, Sea-Freight is normally charged in the ratio 1-1 (for each cubic meter the charge is one ton.) Therefore a consignment of 1000 kgs taking up 2 cubic meters would be charged as 2 tons and a consignment of 1000k taking up 6 cubic meters would be charged as 6 tons.

Another example is surface/road based haulage rates throughout Europe are charged in the ratio 3-1. Therefore, a consignment of 1000 kgs taking up 2 cubic meters would be charged on weight – 1 tonne whereas a consignment of 1000 kgs taking up 6 cubic meters would be charged as 2 tonnes.

There is a strong case for the air cargo industry to change its volume/weight allowance. While the commercial case indicates that we should be seeking 3000cc per 1kg, in order to reduce the potential market place impact of such a drastic change, we believe that a move to 5000cc would be appropriate at this time.

Over the years United Air Lines' cargo density has decreased. The proposed rule change serves to offset this change in cargo density. Attachment 1 page 1 illustrates the revenue impact associated with the change in freight charges. United expects that competitive marketing conditions will play a significant factor in determining to what extent traffic will be impacted by this agreement. Associated revenue increases are expected to be \$4.3 million for the Atlantic division, \$1.2 million for the Latin American Division and \$7.7 million for the Pacific division.

#### MEMORANDUM CTC COMP 0404

Technical correction to Resolution 502, Low Density Cargo. Changes reference in paragraph 1 of Resolution 502 to "paragraph 3" instead of "paragraph 2."

#### MEMORANDUM CTC COMP 0408

Resolution 012, Glossary of Terms (Indefinite). New definitions have been introduced for: Alliance Countries – to list the countries for which Alliance Agreements exist. Caribbean Islands – definition to avoid listing all countries each time. Central America - definition to avoid listing all countries each time. Definitions have been amended for: Constructed rate – a term to be used when add-ons are used to establish a rate; Construction – deletion of reference to Resolution number; N Rate – the 1kg. rate rather than the –45kg Or –100kg. rate. These changes will not affect United's revenues.

Resolution 014b, Construction Combination Rules for Cargo Rates (Indefinite). Amended to cover combination only and not construction through the use of an add-on. In the Cargo Resolutions references to 'constructed' and 'construction' had created confusion. These two terms seem to have different meanings even though they are used interchangeably. It was understood that the term "constructed rate" referred to unspecified through rates established by use of add-on amounts rather than through combination of sector rates. The problems identified related to the presentation of Resolution 014b and the lack of any clear rules relating to the application of add-on amounts. The changes adopted clarify Resolution 014b to make it applicable only to rates combined end-on and not to the use of add-on amounts. As a result Resolution 015aa was re-draft to identify clearly the rules applicable to the use of add-on amounts, and Resolution 012 definitions of 'constructed rate' and 'constructed' were re-word to ensure that they are unique.

Resolution 015aa, Add-Ons Amounts. The Resolution text has been amended to use the term 'Add-on' rather than 'Add-on Amounts' and to correctly reflect the reference to the Attachments. Additionally the use of the word 'Combination' has been eliminated.

The Attachments have been amended to reflect:

i.) Simplification of add-on amounts in Brazil. Constructions over Belem and Recife are eliminated and construction over Rio de Janeiro and Sao Paulo are retained. Note 0567 "USE CONSTRUCTION WHICH PRODUCES THE LOWEST THROUGH RATE" eliminated. United carries a minor amount of interline traffic to/from the other cities north of Rio de Janeiro. United does not expect this change to increase revenues by any measurable amount.

ii.) The deletion of a number of add-ons bearing a notes. No impact is expected from the deletion of charges bearing notes. These changes are administrative in order to clean up tables cluttered with unused rates.

iii.) A re-alignment of US add-ons for Trans-Pacific transportation. This change realigned U.S. add-ons for Pacific operations. Rates between the Southwest Pacific and the Eastern U.S. increased, while the rates between the Southwest Pacific and the Western U.S. remained the same. Rates between the Southwest Pacific and the Western Mountain States decreased. Also, rates for San Francisco, Seattle, and Portland to/from TC3 not specified in the rates tables increased. All other add-ons decrease. United provides service between the United States and most major cities in the Southwest Pacific and Asia and will be affected by these changes. United expects a net decrease in add-on revenues as a result of these changes. Any increase in add-on revenues resulting from rates increasing between the U.S. and the Southwest Pacific will be more than offset by many more city-pairs with decreased add-ons. United expects that these changes will result in a net reduction of revenues of \$607,165.

iv.) Introduction of add-ons for TC1 and TC2 for two Hawaiian points. The add-ons for these points are \$0.20 and are less than a construction with local rates.

The changes to these rates are shown at Attachment 1, pages 2 through 5.

Resolution 033c, Construction Establishment of Through Cargo Rates and Charges. Amends reference from 'Construction' to 'Establishment'. This change has no revenue implications for United.

Resolution 033e, Rules for Payment of Cargo Rates, Charges and Other Amounts. Deletes the cross-reference to Resolution 033f, which has been rescinded. This change has no revenue implications for United.

Resolution 033f, Administrative Provisions for the Review and Monitoring of Currency Levels. This Resolution has been rescinded as it is no longer required. This change has no revenue implications for United.

Resolution 045a, TC3 Cargo Charters (except US Territories). This Resolution has been rescinded as it is no longer required. This change has no revenue implications for United.

Resolution 116aa, Cargo Rates Enabling Facility and Board. Amended to: Specify its area of application. Require that a GCR structure is in place for a filing for SCRs; prohibit the use of notes on a filing; delete the provisions for a Cargo Rates Board and eliminate the link to Resolution 116bb.

Resolution 116bb, Special Enabling Resolution. Amended to: Eliminate the link to Resolution 116aa; require that a GCR structure is in place for a filing for SCRs; prohibit the use of notes on a filing; exclude application of the area for which Resolution 116aa applies; prohibit the use of the Resolution for Alliance Countries by those carriers not party to the agreements on the Alliance Countries.

Resolution 116f, GCRs Special Provisions Resolution from Japan. Reworded to clarify the use of 'Construction' and 'Combination'. This will have no effect on United Air Lines' revenue.

Resolution 501, Minimum Charges for Cargo. The Resolution text has been amended to preclude application for those areas in Europe covered by Resolution 500. The Attachment has been amended as follows:

- i.) Standardize the Charges from Libya world-wide. All rates between the U.S. and Libya were deleted by mail vote 244.
- ii.) Introduce charges for points where the current charges are incomplete; not to/from the U.S.
- iii.) Increase the charge from the USA to Japan. United expects this change to generate \$127,750 annually. Other charges introduced do not involve the U.S. and do not affect United's revenues. Attachment 1 page 6 shows the rate comparison for the IATA charge and the proposed charge.

Resolution 501b, International Priority Service. This is an amalgamation of previously existing Resolutions 501b/501bb/501c, all of which had the same text but for different areas. The amalgamated Resolution has been made indefinite. No changes to the application have been made.

Resolution 501d, International Priority Service (TC3 and TC23/123) This is an amalgamation of previously existing Resolutions 501d/501ff, both of which had the same text but for different



areas. The amalgamated Resolution has been made indefinite. No changes to the application have been made.

Resolution 503, Charges in Relation to Value. The Attachment to this Resolution was disapproved by the US DOT in Order 2001-3-24. In order to establish an equivalent in Local Currency of the SDR17 charge a conversion program has been introduced using the same procedure for the establishment of constructed rates i.e. 3 times per year. IATA will circulate the Attachment showing the local currency equivalents.

Resolution 509, Charges for Disbursements. This change clarifies the Zambian exception and deletes Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 509e.

Resolution 509e, Charges for Disbursements ECAA. Deletion of the Zambian and Algerian exceptions.

Resolution 511 Rates for Live Animals. Not applicable to/from USA/US Territories. Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500.

Resolution 511b, Rates for Live Animals to/from USA/US Territories. Introduction of a new Resolution for the USA/US Territories to incorporate the same rules as applied for the rest of the world in the amended Resolution 511. A comparison of rates are shown at Attachment 1 pages 6 and 7. This change will have no impact on United's revenue.

Resolution 512c, Charge for Preparation of Air Waybill. Use of term 'Central America' rather than showing a list of countries.

Resolution 513, Charges on Mixed Consignments. Standardizes the exclusions of 'automotive vehicles' and 'dangerous goods'. This exclusion is not expected to impact United Air Lines revenues.

Resolution 518, Dangerous Goods Handling Fee. Deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 518e. Simplification of the Notes used for AA and LH as well as deletion of the definition of 'Netherlands Antilles'.

Resolution 519, Fee for Charges Collect. Deletion of Switzerland in the Attachment as Switzerland falls under the definition of ECAA and is covered by Resolution 519e.

Resolution 593, Carriage of Automotive Vehicles. Amalgamation of the three previous Resolutions without change to the application and establishes an indefinite expiry date.

Resolution 595, Special Rates for Valuable Cargo. Simplification of the application through the elimination of exceptions and a standardization of the rates. Precludes application for those areas in Europe covered by Resolution 500. Increases the rate from Russia to 300% of the N rate. Exception to the 200% of the N rate for various areas ( TC1/TC12 to/from Brazil; TC12/TC123 North Atlantic TC31 North and Central Pacific) and shipments greater than 1,000 kgs was eliminated. United Air Lines foresees no measurable effect from this change. Comparison of charges are shown in Attachment 1 pages 9 and 10.

Resolution 596, Newspapers and Periodicals. Simplification of the application through the elimination of exceptions and a standardization of the rates. Precludes application for those areas in Europe covered by Resolution 500. The standard charge for TC1 and TC1/2 was increased to 67% of the N rate from 50% of the N rate. However, the exceptions table already specified an amount equal to or greater than 67%. The effect is no change for this resolution, and no change in United Air Lines' revenue is expected as a result of this change.

Resolution 597, Carriage of Human Remains. Simplification of the application through the elimination of exceptions and a standardization of the rates. Elimination of the exception results in a reduction of the rates from the US to Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay.

Resolution 597, Carriage of Human Remains (TC2). Simplification of the application through the elimination of exceptions and a standardization of the rates. Preclude application for those areas in Europe covered by Resolution 500.

#### MEMORANDUM CTC COMP 0410

This package of Resolutions represents the Area Resolutions (excluding changes to rates) agreement reached for application world-wide, except Alliance Countries.

Resolution 002, Revalidating Resolution. Revalidates Resolutions 501a, 501aa, 508aa.

Resolution 500, Special Rates System Resolution Within Europe except between Countries in the ECAA. Revalidates and simplifies the area of application and updates a Resolution reference.

Resolution 501e, International Express Service between Japan and Canada/USA. This Resolution revalidates and clarifies that only one of the reasons (in the Resolution) absolves the TC Member from responsibility, rather than all of them.

Resolution 508a, Charges for Animal ULDs TC3 (except South West Pacific)-TC1. This Resolution revalidates and clarifies the area of application. No changes were made to the charges in the Resolution.

Resolution 530, Rates and/or Charges for Unitised Consignments. Revalidates, clarifies the application of the Attachments and clarifies the combination and construction rules.

Resolution, 550 GCRs. Revalidated, application for those areas in Europe covered by Resolution 500 was precluded.

Resolution 590, SCRs. Specified Rates. Revalidated, the application of construction and combination was clarified and the area of application was amended to preclude application for those areas in Europe covered by Resolution 500.

#### MEMORANDUM CTC COMP 0412

This package of Resolutions represents the rating changes reached for application world-wide to/from USA/US Territories except between USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadeloupe, Iceland,

Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion, and Scandinavia.

Resolution 002, Amending Resolution to/from USA/US Territories except Alliance Countries.

At previous Composite Cargo Meetings, many carriers had complained about the notes attached to the IATA cargo rates: the notes were restrictive, and created problems for the carriers that purchase the freight rate computer tape (IRIS). Additionally, many forwarders complained about the complexity that notes created when they were attached to the IATA cargo rates. As a result, it was proposed that notes not be attached to IATA cargo rates. In the event a carrier objected to a rate (and it required a note), the carrier had the option to apply a flagged rate. Changes agreed to are reflected in this resolution.

Resolution 501a, Small Package Service Japan-Canada/, Mexico/, USA. Revalidates and establishes a Japanese Yen level for the total value from Japan. This resolution has no revenue impact on United Air Lines.

Resolution 501aa, Small Package Service except USA-Belgium, Chile, Germany, Italy, Sweden, Switzerland, except between Countries in the ECAA. Revalidates and amends the total value from certain countries. The levels in the resolution tables are unchanged. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. This resolution has no revenue impact on United Air Lines.

Resolution 530, Rates and/or Charges for Unitised Consignments. Revalidates, clarifies the application of the Attachments and clarifies the combination and construction rules. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. A charge for Unit 4 was introduced for TC1 at USD 60. Unit 4 is a main deck pallet. United does not carry any main deck cargo and will not be affected by this resolution.

Resolution 550, GCRs. Revalidated, application for those areas in Europe covered by Resolution 500 was precluded. Changes to the Attachment are as shown in Resolution 002. General Cargo Rates (GCR) from Honolulu to Ho Chi Minh City are introduced. These rates are lower than previous constructed GCRs. GCRs at 650 kg, 2000 kg and 3000 kg from USA to Japan are deleted. This results in the application of the 500 kg rate for all traffic between 650 and 1,000 kg and the application of the 1,000 kg rate for all traffic that would have moved at the 2,000 and 3,000 kg rate. Attachment 1 page 11 compares the rates before and after this change. United estimates that this change will increase revenue by \$2,098,222 annually.

Resolution 590, SCRs. Specified Rates. Revalidated, the application of construction and combination was clarified and the area of application was amended to preclude application for those areas in Europe covered by Resolution 500. Changes to the Attachment are as shown in Resolution 002. With the incorporation of the facility between Alliance Countries the exclusion of these countries in the area of application is deleted. Notes on rates were deleted for administrative reasons. Rates with Notes 0482 and 0509 to be retained with the notes. All notes deleted from all GS/SS/US/CS rates except 0451, 0452, 0453, 0454, 0651, 0652, 0653, 0657, 0658, 0659, 0660, 0661, 0662, 0663 various rates with notes to be canceled, as shown in Resolution 002. In addition, a review of the IATA data base had revealed pairs of points where industry SCRs existed but there were no GCRs between the same pair of points. Members were provided with a listing of the points involved. These changes are not expected to affect United's revenues.

### MEMORANDUM CTC COMP 0413

This package of Resolutions represents the rating agreement reached for application between USA/US Territories and Austria, Chile, Czech Republic, Faroe Islands, France, French Guiana, Germany, Greenland, Guadeloupe, Iceland, Italy, Malaysia, Martinique, Monaco, Netherlands, New Zealand, Panama, Reunion, and Scandinavia.

Resolution 001aa, Special Applicability Resolution Alliance Countries. This resolution lists the carriers who are not bound by the Agreement and who did not participate in the development of the agreement.

Resolution 002, Amending Resolution – Alliance Countries. This resolution lists the only changes to the previously existing rating structure. No general increases were developed. General Cargo Rates from Panama City to Atlanta at 100/500 kg. were deleted as was a Specific Commodity Rate for Item 9720 from Dresden to San Juan. With the incorporation of the previous resolutions specific to the Alliance Countries back into the standard resolutions, it was necessary to transfer all rates to the new Resolutions.

Resolution 501aa, Small Package Service except between Countries in the ECAA. This replaces Resolution 501ff and amends the total value from certain countries. The levels in the tables are unchanged.

Resolution 530, Rates and/or Charges for Unitised Consignments. All flagged rates/charges for Alliance Countries in Resolutions 530 for carriers listed in Resolution 001aa are deleted. This replaces Resolution 584ff and reflects no changes to the previous Resolution.

Resolution 550, GCRs. All flagged rates/charges for Alliance Countries in Resolutions 550 for carriers listed in Resolution 001aa are deleted. General Cargo Rates from Panama City to Atlanta at 100/500 kg. were deleted. These rates were higher than constructions over Miami.

Resolution 590, SCRs All flagged rates/charges for Alliance Countries in Resolutions 590 for carriers listed in Resolution 001aa are deleted. Specific Commodity Rate for Item 9720 from Dresden to San Juan was deleted. This change has no revenue impact on United Air Lines.

### MEMORANDUM CTC COMP 0418

Technical correction to Memoranda CTC COMP 0412, Resolution 530 to clarify its application to/from the United States and its territories.

### Cargo Rate Change Revenue Summary

The following table summarizes the revenue impact associated with the changes on Uniteds' divisional revenues.

<b>Resolution</b>	<b>Atlantic</b>	<b>Latin America</b>	<b>Pacific</b>
Resolution 502, Low Density Cargo	\$4,252,666	\$1,179,333	\$7,742,936
Resolution 015aa, Add-Ons Amounts	-	-	(\$607,165)
Resolution 501, Minimum Charge For Cargo	-	-	\$127,750
Resolution 550, GCRs. Deletion of 650, 2,000 and 3,000 weight break	-	-	\$2,098,222
<b>Total Revenue Impact</b>	<b>\$4,252,666</b>	<b>\$1,179,333</b>	<b>\$9,361,743</b>

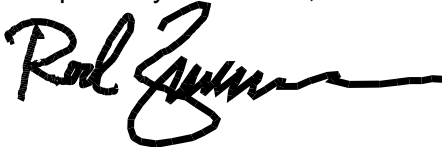
### United's Results

United's freight financial results for the Atlantic, Latin American and Pacific divisions are summarized at Attachment 2 page 1. Historic results are based on the fiscal year ending June 2001. This period was chosen because it is the last quarter prior to September 11, 2001. The disruption to the industry since September 11<sup>th</sup> has made the historic data for quarters following September 11<sup>th</sup> unreliable indicators of future activity. The intended effective date for the agreement was October 1, 2002. Although the actual implementation date of the agreement is not yet determined and is subject to all required government approvals, the first full year that the agreement is in effect is illustrated by the forecast financial results shown in the attachment as the fiscal year ended September 30, 2003. The estimated financial results for the forecast period assume that fuel costs will remain at the same levels as in the historic year. All other expenses are estimated to increase 5%.

Attachment 2 pages 2 through 20 shows detailed financial information in support of the summary data shown on page 1.

If you have any comments or questions please call me at (847) 700-4510 or you may call Mr. Pryor directly at (516) 671-9314.

Respectfully Submitted,



Rod Zimmerman

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates Between The United States And Various Foreign Points  
Resolution 502, Low Density Cargo

### Present Rates- 166 Cubic Inches per pound or 6,000 Cubic Centimeters per Kilogram

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	1,433.0	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	92	207	459	1,377	2,295	2,984	4,590	9,180	13,770
<u>Charges</u>									
Chicago-Tokyo	\$375	\$651	\$1,280	\$3,073	\$4,685	\$5,834	\$8,765	\$16,989	\$24,672
New York-London	\$351	\$636	\$1,014	\$1,980	\$3,300	\$4,291	\$6,600	\$13,200	\$19,800
London-New York	£185	£416	£493	£918	£1,416	£1,841	£2,832	£5,663	£8,495
Rio de Janiero-Miami	\$190	\$428	\$435	\$1,305	\$2,176	\$2,829	\$4,351	\$8,703	\$13,054

### Proposed Rates- 138 Cubic Inches per pound or 5,000 Cubic Centimeters per Kilogram

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Actual Weight lbs.	44.1	99.2	220.5	661.4	1,102.3	1,433.0	2,204.6	4,409.2	6,613.8
Chargable Weight lbs.	111	249	553	1,657	2,761	3,589	5,522	11,043	16,564
<u>Charges</u>									
Chicago-Tokyo	\$453	\$783	\$1,543	\$3,698	\$5,636	\$7,017	\$10,545	\$20,437	\$29,678
New York-London	\$423	\$765	\$1,222	\$2,383	\$3,970	\$5,161	\$7,940	\$15,879	\$23,817
London-New York	£223	£500	£594	£1,105	£1,703	£2,214	£3,406	£6,812	£10,218
Rio de Janiero-Miami	\$230	\$515	\$524	\$1,571	\$2,617	\$3,402	\$5,235	\$10,469	\$15,703

Volume Used Cubic Feet	8.8	19.8	44.1	132.3	220.5	286.6	440.9	881.8	1,322.8
Chicago-Tokyo	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
New York-London	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
London-New York	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
Rio de Janiero-Miami	20.7%	20.3%	20.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%

Source: IATA rate tables.

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Brazilian Interior Points  
Resolution 115aa- Add-ons

### U.S. Originating

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	300	500
Miami-Belo Horizont	\$7.56	\$6.00	\$5.14	\$3.78	\$3.49
Miami-Brazalia	\$7.27	\$5.70	\$4.92	\$4.81	\$3.18
Miami-Porto Alegre	\$8.26	\$6.60	\$5.14	\$4.22	\$3.86
Miami-Manaus	\$6.81	\$5.32	\$4.49	\$3.23	\$3.00

### Proposed Rates

	N	45	100	300	500
Miami-Belo Horizont	\$7.86	\$6.70	\$6.11	\$5.52	\$4.62
Miami-Brazalia	\$9.43	\$7.28	\$6.13	\$5.07	\$4.75
Miami-Porto Alegre	\$9.54	\$7.37	\$6.20	\$5.14	\$4.80
Miami-Manaus	\$10.22	\$7.96	\$6.65	\$5.56	\$5.16

### Per Cent Change

	N	45	100	300	500
Miami-Belo Horizont	4.0%	11.7%	18.9%	46.0%	32.4%
Miami-Brazalia	29.7%	27.7%	24.6%	5.4%	49.4%
Miami-Porto Alegre	15.5%	11.7%	20.6%	21.8%	24.4%
Miami-Manaus	50.1%	49.6%	48.1%	72.1%	72.0%

Average Change      24.8%      25.2%      28.0%      36.3%      44.5%  
Source: IATA Rate Tables

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From Brazil Interior Points To The United States  
Resolution 115aa- Add-ons

### Brazil Originating

Present Rates-Construction Over Belem Or Rio De Janeiro Whichever Is Lower

	N	45	100	500
Belo Horizont-Miami	\$4.25	\$3.46	\$2.24	\$1.93
Brazalia-Miami	\$3.01	\$2.20	\$1.79	\$1.58
Porto Alegre-Miami	\$4.56	\$3.80	\$2.13	\$1.86
Manaus-Miami	\$3.50	\$2.78	\$2.09	\$1.81

### Proposed Rates

	N	45	100	500
Belo Horizont-Miami	\$4.79	\$3.70	\$2.24	\$1.93
Brazalia-Miami	\$3.01	\$2.20	\$1.79	\$1.58
Porto Alegre-Miami	\$4.86	\$3.80	\$2.13	\$1.86
Manaus-Miami	\$3.78	\$2.97	\$2.09	\$1.81

### Per Cent Change

	N	45	100	500
Belo Horizont-Miami	12.7%	6.9%	0.0%	0.0%
Brazalia-Miami	0.0%	0.0%	0.0%	0.0%
Porto Alegre-Miami	6.6%	0.0%	0.0%	0.0%
Manaus-Miami	8.0%	6.8%	0.0%	0.0%

Average Change	6.8%	3.4%	0.0%	0.0%
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Source: IATA Rate Tables



## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Australia/Asia  
Resolution 115aa- Add-ons

### U.S. Originating

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Fresno-Sydney	\$12.76	\$10.25	\$8.91	\$8.57	\$8.10	\$8.10
Daytona Beach-Sydney	\$14.09	\$10.93	\$9.57	\$9.21	\$8.72	\$8.72
Portland-Fukuoka	\$9.44	\$7.51	\$6.85	\$5.71	\$5.27	\$4.88
Portland, Me-Tokyo	\$9.46	\$7.36	\$6.57	\$5.30	\$4.88	\$4.88
Fresno-Singapore	\$11.75	\$9.10	\$8.07	\$4.61	\$4.61	\$4.61

Proposed Rates

	N	45	100	300	500	1000
Fresno-Sydney	\$12.76	\$10.25	\$8.91	\$8.57	\$8.10	\$8.10
Daytona Beach-Sydney	\$14.29	\$11.13	\$9.77	\$9.41	\$8.92	\$8.92
Portland-Fukuoka	\$9.64	\$7.71	\$7.05	\$5.91	\$5.47	\$5.08
Portland, Me-Tokyo	\$9.36	\$7.26	\$6.47	\$5.20	\$4.78	\$4.78
Fresno-Singapore	\$11.65	\$9.00	\$7.97	\$4.51	\$4.51	\$4.51

Per Cent Change

	N	45	100	300	500	1000
Fresno-Sydney	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Daytona Beach-Sydney	1.4%	1.8%	2.1%	2.2%	2.3%	2.3%
Portland-Fukuoka	2.1%	2.7%	2.9%	3.5%	3.8%	4.1%
Portland, Me-Tokyo	-1.1%	-1.4%	-1.5%	-1.9%	-2.0%	-2.0%
Fresno-Singapore	-0.9%	-1.1%	-1.2%	-2.2%	-2.2%	-2.2%

Average Change                      0.3%              0.4%              0.4%              0.3%              0.4%              0.4%

Source: IATA Rate Tables

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From Australia/Asia To The United States  
Resolution 115aa- Add-ons

### Foreign Originating

Present Rates U.S. Add-ons For TC3

	N	45	100	300	500	1000
Sydney-Daytona Beach	A\$19.15	A\$10.30	A\$7.20	A\$6.50	A\$6.25	A\$6.25
Sydney-Fresno	A\$17.13	A\$8.28	A\$5.18	A\$4.48	A\$4.23	A\$4.23
Fukuoka-Portland	¥1,860	¥1,430	¥1,310	¥1,240	¥1,110	¥1,050
Tokyo-Waco	¥1,899	¥1,439	¥1,309	¥1,239	¥1,139	¥1,069
Tokyo-Portland, Me	¥1,939	¥1,459	¥1,329	¥1,269	¥1,169	¥1,089
Singapore-Fresno	S\$20.40	S\$15.57	S\$15.25	S\$12.30	S\$11.24	S\$8.12

### Proposed Rates

	N	45	100	300	500	1000
Sydney-Daytona Beach	A\$19.53	A\$10.68	A\$7.58	A\$6.88	A\$6.63	A\$6.63
Sydney-Fresno	A\$17.13	A\$8.28	A\$5.18	A\$4.48	A\$4.23	A\$4.23
Fukuoka-Portland	¥1,899	¥1,469	¥1,349	¥1,279	¥1,149	¥1,089
Tokyo-Waco	¥1,886	¥1,426	¥1,296	¥1,226	¥1,126	¥1,056
Tokyo-Portland, Me	¥1,926	¥1,446	¥1,316	¥1,256	¥1,156	¥1,076
Singapore-Fresno	S\$20.22	S\$15.39	S\$15.07	S\$12.12	S\$11.06	S\$7.94

### Per Cent Change

	N	45	100	300	500	1000
Sydney-Daytona Beach	2.0%	3.7%	5.3%	5.9%	6.1%	6.1%
Sydney-Fresno	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fukuoka-Portland	2.1%	2.7%	3.0%	3.2%	3.5%	3.7%
Tokyo-Waco	-0.7%	-0.9%	-1.0%	-1.1%	-1.1%	-1.2%
Tokyo-Portland, Me	-0.7%	-0.9%	-1.0%	-1.0%	-1.1%	-1.2%
Singapore-Fresno	-0.9%	-1.2%	-1.2%	-1.5%	-1.6%	-2.2%

Average Change	0.3%	0.6%	0.9%	0.9%	1.0%	0.9%
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Source: IATA Rate Tables

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 501, Minimum Charges for Cargo

### U.S. Originating

Present Rates-Minimum Charge \$55.00 IATA Rate

Weight Transported (kgs)

Chicago-Osaka

Chicago-Tokyo

New York-Tokyo

San Francisco-Tokyo

6	7	8	9	10	12	14	16	18
\$57.36	\$66.92	\$76.48	\$86.04	\$95.60	\$114.72	\$133.84	\$152.96	\$172.08
\$55.00	\$62.93	\$71.92	\$80.91	\$89.90	\$107.88	\$125.86	\$143.84	\$161.82
\$55.00	\$64.12	\$73.28	\$82.44	\$91.60	\$109.92	\$128.24	\$146.56	\$164.88
\$55.00	\$55.00	\$62.00	\$69.75	\$77.50	\$93.00	\$108.50	\$124.00	\$139.50

Proposed Rates-Minimum Charge \$125.00

Weight Transported (kgs)

Chicago-Osaka

Chicago-Tokyo

New York-Tokyo

San Francisco-Tokyo

6	7	8	9	10	12	14	16	18
\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$133.84	\$152.96	\$172.08
\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.86	\$143.84	\$161.82
\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$128.24	\$146.56	\$164.88
\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$139.50

Per Cent Increase

Weight Transported (kgs)

Chicago-Osaka

Chicago-Tokyo

New York-Tokyo

San Francisco-Tokyo

6	7	8	9	10	12	14	16	18
117.9%	86.8%	63.4%	45.3%	30.8%	9.0%	0.0%	0.0%	0.0%
127.3%	98.6%	73.8%	54.5%	39.0%	15.9%	0.0%	0.0%	0.0%
127.3%	94.9%	70.6%	51.6%	36.5%	13.7%	0.0%	0.0%	0.0%
127.3%	127.3%	101.6%	79.2%	61.3%	34.4%	15.2%	0.8%	0.0%

Average Increase

124.9%

101.9%

77.4%

57.7%

41.9%

18.2%

3.8%

0.2%

0.0%

Source: IATA tables.

**United Air Lines**  
 Comparison Of Present And Proposed General  
 Commodity Rates From The United States To Selected Foreign Points  
 Resolution 511-Live Animals  
**U.S. Originating**

Present United Air Lines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Chicago-London	\$9.36	\$737.10	\$1,638.00	\$4,914.00
Los Angeles-Tokyo	\$7.75	\$523.13	\$1,162.50	\$3,487.50
Miami-Buenos Aires	\$9.40	\$740.25	\$1,645.00	\$4,935.00

Proposed United Air Lines' Charge

Weight Of Animal (kgs)	N Rate	45	100	300
Chicago-London	\$9.36	\$737.10	\$1,638.00	\$4,914.00
Los Angeles-Tokyo	\$7.75	\$523.13	\$1,162.50	\$3,487.50
Miami-Buenos Aires	\$9.40	\$740.25	\$1,645.00	\$4,935.00

Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
Chicago-London	N/A	0.0%	0.0%	0.0%
Los Angeles-Tokyo	N/A	0.0%	0.0%	0.0%
Miami-Buenos Aires	N/A	0.0%	0.0%	0.0%

Average Change	N/A	0.0%	0.0%	0.0%
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Source: United Air Lines and IATA Rate Tables

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From Selected Foreign Points To The United States  
Resolution 511-Live Animals

### Foreign Originating

#### Present United Air Lines Charge

Weight Of Animal (kgs)	N Rate	45	100	300
London-Chicago	£4.94	£389	£865	£2,594
Tokyo-Los Angeles	¥1,590	¥107,325	¥238,500	¥715,500
Buenos Aires-Miami	\$4.43	\$349	\$775	\$2,326

#### Proposed Charge

Weight Of Animal (kgs)	N Rate	45	100	300
London-Chicago	£4.94	£389	£865	£2,594
Tokyo-Los Angeles	¥1,590	¥107,325	¥238,500	¥715,500
Buenos Aires-Miami	\$4.43	\$349	\$775	\$2,326

#### Per Cent Change

Weight Of Animal (kgs)	N	45	100	300
London-Chicago	N/A	0.0%	0.0%	0.0%
Tokyo-Los Angeles	N/A	0.0%	0.0%	0.0%
Buenos Aires-Miami	N/A	0.0%	0.0%	0.0%

Average Change	N/A	0.0%	0.0%	0.0%
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Source: United Air Lines and IATA Rate Tables

**United Air Lines**  
 Comparison Of Present And Proposed General  
 Commodity Rates From The United States To Selected Foreign Points  
 Resolution 595-Valuable Cargo  
**U.S. Originating**

Present United Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
Chicago-London	\$9.36	\$842	\$1,872	\$5,616	\$9,360	\$18,720
Los Angeles-Tokyo	\$7.75	\$698	\$1,550	\$4,650	\$7,750	\$15,500
Miami-Buenos Aires	\$9.40	\$846	\$1,880	\$5,640	\$9,400	\$18,800

Proposed United Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
Chicago-London	\$9.36	\$842	\$1,872	\$5,616	\$9,360	\$18,720
Los Angeles-Tokyo	\$7.75	\$698	\$1,550	\$4,650	\$7,750	\$15,500
Miami-Buenos Aires	\$9.40	\$846	\$1,880	\$5,640	\$9,400	\$18,800

Per Cent Change

Weight Of Valuable Cargo (kgs)	N	45	100	300	500	1000
Chicago-London	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Los Angeles-Tokyo	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Miami-Buenos Aires	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Average Change	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
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Source: United Air Lines and IATA Rate Tables

**United Air Lines**  
Comparison Of Present And Proposed General  
Commodity Rates - Selected Foreign Points To The United States  
Resolution 595-Valuable Cargo  
**Foreign Originating**

Present United Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
London-Chicago	£4.94	£445	£988	£2,964	£4,940	£9,880
Tokyo-Los Angeles	¥1,590	¥143,100	¥318,000	¥954,000	¥1,590,000	¥3,180,000
Buenos Aires-Miami	\$4.43	\$399	\$886	\$2,658	\$4,430	\$8,860

Proposed United Air Lines' Charge

Weight Of Valuable Cargo (kgs)	N Rate	45	100	300	500	1000
London-Chicago	£4.94	£445	£988	£2,964	£4,940	£9,880
Tokyo-Los Angeles	¥1,590	¥143,100	¥318,000	¥954,000	¥1,590,000	¥3,180,000
Buenos Aires-Miami	\$4.43	\$399	\$886	\$2,658	\$4,430	\$8,860

Per Cent Change

Weight Of Valuable Cargo (kgs)	N	45	100	300	500	1000
London-Chicago	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Tokyo-Los Angeles	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Buenos Aires-Miami	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Average Change	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
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Source: United Air Lines and IATA Rate Tables

## United Air Lines

Comparison Of Present And Proposed General  
Commodity Rates From The United States To Japan  
Resolution 550-Deletion of the 650, 2000 and 3000 kg Rates From The U.S. To Japan

### U.S. Originating

#### Present Rates

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Osaka	\$9.53	\$7.30	\$6.52	\$5.21	\$4.71	\$4.37	\$4.27	\$4.14	\$4.02
Chicago-Tokyo	\$8.99	\$6.93	\$6.15	\$4.92	\$4.50	\$4.31	\$4.21	\$4.08	\$3.95
New York-Tokyo	\$9.16	\$7.06	\$6.27	\$5.00	\$4.58	\$4.39	\$4.29	\$4.16	\$4.03
Los Angeles-Tokyo	\$7.75	\$5.99	\$5.32	\$4.26	\$3.91	\$3.74	\$3.66	\$3.55	\$3.45

#### Proposed Rates

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Osaka	\$9.53	\$7.30	\$6.52	\$5.21	\$4.71	\$4.71	\$4.27	\$4.27	\$4.27
Dallas-Tokyo	\$8.99	\$6.93	\$6.15	\$4.92	\$4.50	\$4.50	\$4.21	\$4.21	\$4.21
New York-Tokyo	\$9.16	\$7.06	\$6.27	\$5.00	\$4.58	\$4.58	\$4.29	\$4.29	\$4.29
San Jose-Tokyo	\$7.75	\$5.99	\$5.32	\$4.26	\$3.91	\$3.91	\$3.66	\$3.66	\$3.66

#### Per Cent Increase

	<45	45	100	300	500	650	1000	2000	3000
Chicago-Osaka	0.0%	0.0%	0.0%	0.0%	0.0%	7.8%	0.0%	3.1%	6.2%
Chicago-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	0.0%	3.2%	6.6%
New York-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	0.0%	3.1%	6.5%
Los Angeles-Tokyo	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	0.0%	3.1%	6.1%

Average Increase      -              -              -              -              -              5.3%      -              3.1%              6.3%

Source: IATA rate tables.



# United Air Lines

## SUMMARY FREIGHT FINANCIAL RESULTS

	HISTORIC YEAR ENDING <u>June 30, 2001</u> (\$MILLIONS)	FORECAST YEAR ENDING <u>September 30, 2003</u> (\$MILLIONS)
<b><u>Atlantic Division</u></b>		
OPERATING PROFIT	(\$80.1)	(\$85.8)
NET INCOME	(\$32.6)	(\$63.2)
INVESTMENT BASE	\$170.6	\$172.7
RETURN ON INVESTMENT		
TOTAL	(\$49.5)	(\$53.2)
PER CENT	-29.0%	-30.8%
<b><u>Latin American Division</u></b>		
OPERATING PROFIT	(\$39.1)	(\$41.6)
NET INCOME	(\$27.4)	(\$29.1)
INVESTMENT BASE	\$59.1	\$60.6
RETURN ON INVESTMENT		
TOTAL	(\$25.0)	(\$26.6)
PER CENT	-42.3%	-44.0%
<b><u>Pacific Division</u></b>		
OPERATING PROFIT	\$10.4	\$48.0
NET INCOME	\$4.4	\$29.8
INVESTMENT BASE	\$218.8	\$169.3
RETURN ON INVESTMENT		
TOTAL	\$8.1	\$32.7
PER CENT	3.7%	19.3%

SOURCE: Pages 2-20.

# United's U.S.-Atlantic Service Financial Results by Product Line

Fiscal Year Ended June 2001

Operating Revenue	Total Atlantic		U.S. Scheduled Service Financial Results				
	Form 41	Exclusion 1/	Total	Passenger	Cargo	Mail	Freight
Passenger	\$1,950,888,000		\$1,950,888,000	\$1,950,888,000			
Mail	27,808,000		27,808,000		\$27,808,000	\$27,808,000	\$148,679,000
Freight	148,679,000		148,679,000		148,679,000		
Excess Baggage	3,353,000		3,353,000	3,353,000			
Charter-Passenger							
-Property							
Other Transport	13,936,000		13,936,000	12,949,134	986,866		986,866
Transport Related Revenues	213,108,000		213,108,000	198,016,943	15,091,057		15,091,057
Total Operating Revenues	2,357,772,000		2,357,772,000	2,165,207,078	192,564,922	27,808,000	164,756,922
Operating Expense							
Fuels	357,815,000	56,000	357,759,000	311,732,037	46,026,963	4,505,659	41,521,304
Rentals - Flight	73,785,000	25,000	73,760,000	64,152,946	9,607,054	940,451	8,666,603
Flight Personnel	273,482,000	125,000	273,357,000	237,872,452	35,484,548	3,473,644	32,010,905
Other Flying Operations	8,556,000		8,556,000	7,457,964	1,098,036	107,489	990,547
Maintenance - Flight	186,316,000	47,000	186,269,000	162,198,124	24,070,876	2,356,340	21,714,536
Maintenance - Ground	24,416,000		24,416,000	21,264,099	3,151,901	308,545	2,843,356
Passenger Service	354,028,000		354,028,000	354,028,000	-	-	-
Aircraft and Traffic Servicing	332,426,000		332,426,000	247,985,357	84,440,643	8,266,040	76,174,603
Promotion and Sales	306,323,000		306,323,000	292,118,009	14,204,991	-	14,204,991
General and Administrative	182,867,000		182,867,000	159,260,272	23,606,728	2,310,903	21,295,824
Depreciation/Amortization - Flight	113,924,000	10,000	113,914,000	98,938,445	14,975,555	1,465,983	13,509,572
Depreciation/Amortization - Ground	28,445,000		28,445,000	25,060,088	3,384,912	331,355	3,053,557
Amortization - Preoperating Costs	8,297,000		8,297,000	7,225,927	1,071,073	104,849	966,224
Transport Related Expense	123,475,000		123,475,000	114,731,226	8,743,774	855,943	7,887,831
Total with Historic Costs	2,374,155,000	263,000	2,373,892,000	2,104,024,946	269,867,054	25,027,200	244,839,854
Fuel Cost Escalation							
Non-Fuel Cost Escalation							
Total Operating Expense	2,374,155,000	263,000	2,373,892,000	2,104,024,946	269,867,054	25,027,200	244,839,854
Operating Profit or (Loss)	(16,383,000)	(263,000)	(16,120,000)	61,182,132	(77,302,132)	2,780,800	(80,082,932)
Interest Expense	95,552,000	10,585	95,541,415	84,680,146	10,861,269	1,007,263	9,854,006
Taxable Income	(111,935,000)	(273,585)	(111,661,415)	(23,498,014)	(88,163,401)	1,773,537	(89,936,938)
Income Tax @34%	(38,057,900)	(93,019)	(37,964,881)	(7,989,325)	(29,975,556)	603,003	(30,578,559)
Net Income after Income Tax	(73,877,100)	(180,566)	(73,696,534)	(15,508,689)	(58,187,845)	1,170,534	(59,358,379)
<b>Return</b>							
Investment	1,620,714,668	189,386	1,620,525,282	1,432,490,408	188,034,874	17,405,722	170,629,152
Return on Investment	21,674,900	(169,981)	21,844,881	69,171,457	(47,326,576)	2,177,797	(49,504,373)
% Return	1.3%		1.3%	4.8%	-25.2%	12.5%	-29.0%

1/ Nonrevenue flying.

# **United's Atlantic Scheduled Combination Service Financial Results**

Forecast Year Ended September 2003

Present Rates				Proposed Rates			
Operating Revenue	Cargo	Mail	Freight	Cargo	Mail	Freight	
Mail	\$26,958,121	\$26,958,121		\$26,958,121	\$26,958,121		
Freight	141,755,546		\$141,755,546	146,008,212		\$146,008,212	
Excess Baggage							
Charter-Passenger							
-Property							
Other Transport	940,911		940,911	969,138		969,138	
Transport Related Revenues	14,388,320		14,388,320	14,819,969		14,819,969	
Total Operating Revenues	184,042,897	26,958,121	157,084,777	188,755,440	26,958,121	161,797,319	
Operating Expense							
Fuels	43,695,584	4,277,879	39,417,704	43,695,584	4,273,566	39,422,017	
Rentals - Flight	8,293,794	811,978	7,481,816	8,293,794	811,159	7,482,634	
Flight Personnel	35,313,403	3,457,248	31,856,155	35,313,403	3,453,762	31,859,640	
Other Flying Operations	1,028,160	100,659	927,501	1,028,160	100,557	927,603	
Maintenance - Flight	23,172,309	2,268,612	20,903,697	23,172,309	2,266,325	20,905,984	
Maintenance - Ground	2,954,791	289,280	2,665,511	2,954,791	288,988	2,665,803	
Passenger Service	-	-	-	-	-	-	
Aircraft and Traffic Servicing	82,012,916	8,029,217	73,983,699	82,012,916	8,021,123	73,991,793	
Promotion and Sales	13,543,515	-	13,543,515	13,867,073	-	13,867,073	
General and Administrative	23,856,579	2,335,604	21,520,976	23,856,579	2,333,249	21,523,331	
Depreciation/Amortization - Flight	14,902,964	1,459,028	13,443,936	14,902,964	1,457,557	13,445,407	
Depreciation/Amortization - Ground	3,173,229	310,665	2,862,564	3,173,229	310,352	2,862,878	
Amortization - Preoperating Costs	1,082,409	105,970	976,439	1,082,409	105,863	976,546	
Transport Related Expense	8,336,608	816,169	7,520,438	8,586,706	839,807	7,746,899	
Total with Historic Costs	261,366,261	24,262,309	237,103,952	261,939,917	24,262,309	237,677,608	
Fuel Cost Escalation	-	-	-	-	-	-	
Non-Fuel Cost Escalation	10,883,534	999,221	9,884,312	10,912,217	999,437	9,912,780	
Total Operating Expense	272,249,795	25,261,530	246,988,265	272,852,133	25,261,746	247,590,387	
Operating Profit or (Loss)	(88,206,898)	1,696,591	(89,903,488)	(84,096,693)	1,696,375	(85,793,068)	
Interest Expense	10,957,167	1,016,694	9,940,473	10,981,409	1,016,703	9,964,706	
Taxable Income	(99,164,065)	679,896	(99,843,961)	(95,078,102)	679,672	(95,757,774)	
Income Tax @34%	(33,715,782)	231,165	(33,946,947)	(32,326,555)	231,088	(32,557,643)	
Net Income after Income Tax	(65,448,283)	448,732	(65,897,014)	(62,751,547)	448,584	(63,200,131)	
Return							
Investment	190,043,886	17,603,104	172,440,782	190,297,534	17,586,238	172,711,296	
Return on Investment	(54,491,116)	1,465,426	(55,956,542)	(51,770,138)	1,465,286	(53,235,425)	
% Return	-28.7%	8.3%	-32.4%	-27.2%	8.3%	-30.8%	

**United's Atlantic Nonscheduled Passenger Combination Service Traffic and Capacity Statistics**

Fiscal Year Ended June 30, 2001				
	Aircraft Type			All Types
	B-747	B-777	B-767	TOTAL
Total Revenue Block Hours	19,962	122,733	46172	188,867
Scheduled	19,962	122,733	46172	188,867
Charter	0	0	0	0
Revenue Aircraft Departures	2,215	13,888	6353	22,456
Scheduled	2,215	13,888	6353	22,456
Charter	0	0	0	0
Gross Ton Departures				
Available Ton Departures :				
Passenger compartment				
Cargo compartment				
Total				
Revenue Aircraft Miles				
Available Seat Miles (000)				
Available Ton Miles (000):				
Passenger compartment				
Cargo compartment				
Total				
Seats Per Aircraft				
Available Tons Per Aircraft				
Revenue Passenger Miles (000)				
Revenue Ton Miles (000)				
U.S. Mail				
Foreign Mail				
Freight				
Total Mail and Freight				
Baggage at 35 lbs. per passenger				
Total Baggage Mail and Freight				
Passengers at 165 lbs. per passenger				
Total Revenue Ton Miles				
Seat Factor (%)				
Overall Ton Mile Load Factor (%)				
Cargo Compartment Load Factor (%)				

# United's Atlantic Scheduled Passenger Combination Service Traffic and Capacity Statistics

Fiscal Year Ended June 30, 2001

	Aircraft Type			All Types
	B-747	B-777	B-767	TOTAL
Total Revenue Block Hours	19,962	122,733	46,172	188,867
Scheduled	19,962	122,733	46,172	188,867
Charter	0	0	0	0
Revenue Aircraft Departures				
Scheduled	2,215	13,888	6,353	22,456
Charter	0	0	0	0
Gross Ton Departures	963,525	3,791,424	1,276,953	6,031,902
Available Ton Departures :				
Passenger compartment	66,662	316,244	104,938	487,845
Cargo compartment	75,696	418,152	134,226	628,073
Total	142,358	734,396	239,164	1,115,918
Revenue Aircraft Miles	10,041,646	61,084,274	21,598,157	92,724,077
Available Seat Miles (000)	3,663,212	16,860,169	4,324,314	24,847,695
Available Ton Miles (000):	645,377	3,230,130	813,081	4,688,588
Passenger compartment	302,212	1,390,953	356,756	2,049,921
Cargo compartment	343,165	1,839,176	456,325	2,638,667
Total	645,377	3,230,130	813,081	4,688,588
Seats Per Aircraft	365	276	200	268
Available Tons Per Aircraft	64	53	38	51
Revenue Passenger Miles (000)	2,806,279	12,930,268	3,097,686	18,834,233
Revenue Ton Miles (000)	364,855	1,827,827	462,963	2,655,645
U.S. Mail	8,320	66,426	15,031	89,776
Foreign Mail				0
Freight	76,046	469,153	138,380	683,579
Total Mail and Freight	84,366	535,578	153,410	773,355
Baggage at 35 lbs. per passenger	49,110	226,280	54,210	329,599
Total Baggage Mail and Freight	133,476	761,858	207,620	1,102,954
Passengers at 165 lbs. per passenger	231,518	1,066,747	255,559	1,553,824
Total Revenue Ton Miles	364,994	1,828,605	463,179	2,656,778
Seat Factor (%)	76.6%	76.7%	71.6%	75.8%
Overall Ton Mile Load Factor (%)	56.6%	56.6%	57.0%	56.7%
Cargo Compartment Load Factor (%)	38.9%	41.4%	45.5%	41.8%
"Wetted Volume" Available Space Basis				
Cargo compartment capacity as a % of total aircraft capacity	20.2%	23.4%	25.6%	
Assigned Mail and Freight				
Cargo compartment ATM (000) 1/				1,456,412
Share of cargo compartment capacity (%)				55.2%
Share of total aircraft capacity (%)	11.2%	12.9%	14.1%	12.9%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)				

## United's Atlantic Division Unit Costs

Fiscal Year Ended June 30, 2001

### Aircraft Type

#### Direct Operating Costs

	B-747	B-777	B-767
(Per Revenue Block Hour)			
Fuel and Oil	\$2,857	\$1,923	\$1,400
Rental	\$1,094	\$109	\$836
Cockpit Crew 1/	\$1,575	\$1,498	\$1,256
Other Flying Operations	\$74	\$45	\$32
Maintenance Flight	\$1,442	\$895	\$1,021
Depreciation and Capital Leases	\$601	\$734	\$303
Total Aircraft Operating Expense	\$7,643	\$5,205	\$4,849
1/ Includes training, taxes and benefits.			

#### Indirect Operating Expense

##### Ground Property and Equipment

Maintenance	4.05 per gross ton departure
Depreciation	4.35 per gross ton departure

##### Passenger Service

Salaries, Personnel exp., Benefits, Pensions, Payroll Tax	8.71 per available seat mile (000)
Other Passenger Service	7.30 per revenue passenger mile (000)

##### Aircraft Servicing

Aircraft Servicing	7.07 per gross ton departure
Aircraft Control	430 per total block hour
Landing Fees	4.94 per gross ton departure

##### Traffic Servicing

Assigned to Passenger	126.43 per passenger cabin available ton departure
Assigned to Cargo	186.34 per cargo compartment available ton departure
Other Traffic Servicing	0 per total available ton departure

##### Promotion and Sales

Passenger Commissions	6.14% passenger revenue
Property Commissions	5.95% property revenue
Other Reservations and Sales-Passenger	1.14 per (000) RPMS
Other Reservations and Sales-Cargo	4.23 per (000) freight RTMS

##### Advertising and Publisity

Passenger	3.88% passenger, revenue
Cargo	1.66% property, revenue

General and Administrative	968 per total block hour
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Amortization other than flight equipment	44 per total block hour
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Transport Related Expense	5.88% passenger, and freight revenue in sched. services
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# United's Atlantic Scheduled Passenger CombinationServiceTraffic and Capacity Statistics

Forecast Year Ending September 2003

	Aircraft Type		All Types
	B-777	B-767	TOTAL
Total Block Hours	128,870	53,098	181,968
Scheduled	128,870	53,098	181,968
Charter			
Revenue Aircraft Departures	14,582	7,306	21,888
Scheduled	14,582	7,306	21,888
Charter			
Gross Ton Departures	3,980,995	1,410,048	5,391,044
Available Ton Departures :			
Passenger compartment	332,057	120,679	452,736
Cargo compartment	439,059	154,360	593,419
Total	771,116	275,039	1,046,155
Revenue Aircraft Miles	64,138,488	24,837,881	88,976,368
Available Seat Miles (000)	17,703,177	4,972,961	22,676,139
Available Ton Miles (000):	3,391,636	935,044	4,326,680
Passenger compartment	1,460,501	410,270	1,870,771
Cargo compartment	1,931,135	524,774	2,455,909
Total	3,391,636	935,044	4,326,680
Seats Per Aircraft	276	200	
Available Tons Per Aircraft	53	38	
Revenue Passenger Miles (000)	13,576,781	3,562,339	17,139,120
Revenue Ton Miles (000)			
U.S. Mail	69,747	17,285	87,032
Foreign Mail			
Freight	492,610	159,137	651,747
Total Mail and Freight	562,357	176,422	738,779
Baggage at 35 lbs. per passenger	237,594	62,341	299,935
Total Baggage Mail and Freight	799,951	238,763	1,038,714
Passengers at 165 lbs. per passenger	1,120,084	293,893	1,413,977
Total Revenue Ton Miles	1,920,035	532,656	2,452,691
Seat Factor (%)	76.7%	71.6%	75.6%
Overall Ton Mile Load Factor (%)	56.6%	57.0%	56.7%
Cargo Compartment Load Factor (%)	41.4%	45.5%	42.3%
"Wetted Volume" Available Space Basis			
Cargo compartment capacity as a % of total aircraft capacity	23.4%	25.6%	
Assigned Mail and Freight			
Cargo compartment ATM (000) 1/			1,391,298
Share of cargo compartment capacity (%)			56.7%
Share of total aircraft capacity (%)	13.3%	14.5%	13.5%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)			

# United's U.S.-Latin American Service Financial Results by Product Line

Fiscal Year Ended June 30, 2001

U.S. Scheduled Service Financial Results								
Operating Revenue	Total Latin American		Exclusion 1/	Total	Passenger	Cargo	Mail	Freight
	Form 41							
Passenger	\$682,964,000			\$682,964,000				
Mail	5,920,000			5,920,000		\$5,920,000		
Freight	40,834,000			40,834,000		40,834,000	\$5,920,000	\$40,834,000
Excess Baggage	1,326,000			1,326,000	1,326,000			
Charter-Passenger	3,909,000	\$3,909,000						
-Property								
Other Transport	7,018,000	37,902		6,980,098	6,586,307	393,791		393,791
Transport Related Revenues	68,182,000	368,229		67,813,771	63,987,969	3,825,802		3,825,802
Total Operating Revenues	810,153,000	4,315,131		805,837,869	754,864,276	50,973,593	5,920,000	45,053,593
	810,153,000							
Operating Expense								
Fuels	108,748,000	1,545,388		107,202,612	93,067,710	14,134,901	888,827	13,246,074
Rentals - Flight	43,029,000	484,773		42,544,227	36,761,814	5,782,412	363,608	5,418,804
Flight Personnel	100,504,000	1,319,819		99,184,181	86,231,413	12,952,768	814,493	12,138,275
Other Flying Operations	2,795,000	40,582		2,754,418	2,390,592	363,826	22,878	340,948
Maintenance - Flight	79,463,000	1,028,978		78,434,022	68,222,283	10,211,739	642,132	9,569,607
Maintenance - Ground	7,832,000	132,131		7,699,869	6,628,883	1,070,987	67,345	1,003,641
Passenger Service	117,602,000	350,852		117,251,148	-	-	-	-
Aircraft and Traffic Servicing	120,308,000	1,679,049		118,628,951	93,684,666	24,944,285	1,568,540	23,375,745
Promotion and Sales	130,989,000	528,989		130,460,011	125,682,318	4,777,693	-	4,777,693
General and Administrative	53,950,000	665,467		53,284,533	45,998,278	7,286,255	458,172	6,828,082
Depreciation/Amortization - Flight	29,606,000	480,100		29,125,900	25,163,465	3,962,435	249,165	3,713,271
Depreciation/Amortization - Ground	9,478,000	159,900		9,318,100	8,022,032	1,296,069	81,499	1,214,570
Amortization - Preoperating Costs	2,998,000	36,981		2,961,019	2,556,115	404,904	25,461	379,443
Transport Related Expense	41,121,000	222,081		40,898,919	38,579,024	2,319,894	145,879	2,174,015
Total with Historic Costs	848,423,000	8,675,090		839,747,910	750,239,741	89,508,170	5,328,000	84,180,170
Fuel Cost Escalation								
Non-Fuel Cost Escalation								
Total Operating Expense	848,423,000	8,675,090		839,747,910	750,239,741	89,508,170	5,328,000	84,180,170
Operating Profit or (Loss)	(38,270,000)	(4,359,959)		(33,910,041)	4,624,536	(38,534,577)	592,000	(39,126,577)
Interest Expense	24,287,000	248,334		24,038,666	21,476,401	2,562,265	152,520	2,409,746
Taxable Income	(62,557,000)	(4,608,292)		(57,948,708)	(16,851,865)	(41,096,842)	439,480	(41,536,323)
Income Tax @34%	(21,269,380)	(1,566,819)		(19,702,561)	(5,729,634)	(13,972,926)	149,423	(14,122,350)
Net Income after Income Tax	(41,287,620)	(3,041,473)		(38,246,147)	(11,122,231)	(27,123,916)	290,057	(27,413,973)
Return								
Investment	581,338,170	6,087,011		575,251,159	512,466,882	62,784,277	3,731,645	59,052,632
Return on Investment	(17,000,620)	(2,793,139)		(14,207,481)	10,354,170	(24,561,651)	442,577	(25,004,227)
% Return	-2.9%	-45.9%		-2.5%	2.0%	-39.1%	11.9%	-42.3%

1/ Charter and nonrevenue flying.



# **United's Latin American Scheduled Combination Service Financial Results**

Forecast Year September 2003

	Present Rates			Proposed Rates			
	Operating Revenue	Cargo	Mail	Freight	Cargo	Mail	Freight
Mail		\$5,913,325	\$5,913,325		\$5,913,325	\$5,913,325	
Freight		39,311,087		\$39,311,087	40,490,420		\$40,490,420
Excess Baggage							
Charter-Passenger							
-Property							
Other Transport		379,105		379,105	390,478		390,478
Transport Related Revenues		3,683,117		3,683,117	3,793,611		3,793,611
Total Operating Revenues		49,286,634	5,913,325	43,373,309	50,587,834	5,913,325	44,674,509
Operating Expense							
Fuels		13,790,304	880,437	12,909,867	13,790,304	879,730	12,910,574
Rentals - Flight		5,766,727	368,175	5,398,553	5,766,727	367,879	5,398,848
Flight Personnel		12,840,280	819,783	12,020,497	12,840,280	819,125	12,021,155
Other Flying Operations		354,304	22,620	331,683	354,304	22,602	331,701
Maintenance - Flight		10,060,698	642,322	9,418,377	10,060,698	641,806	9,418,893
Maintenance - Ground		1,046,971	66,843	980,127	1,046,971	66,790	980,181
Passenger Service							
Aircraft and Traffic Servicing		24,449,368	1,560,961	22,888,407	24,449,368	1,559,707	22,889,661
Promotion and Sales		4,599,508		4,599,508	4,710,931		4,710,931
General and Administrative		7,338,741	468,539	6,870,202	7,338,741	468,163	6,870,578
Depreciation/Amortization - Flight		3,802,900	242,795	3,560,105	3,802,900	242,600	3,560,300
Depreciation/Amortization - Ground		1,267,006	80,892	1,186,114	1,267,006	80,827	1,186,179
Amortization - Preoperating Costs		407,821	26,037	381,784	407,821	26,016	381,805
Transport Related Expense		2,233,373	142,589	2,090,784	2,300,375	146,749	2,153,626
Total with Historic Costs		87,958,001	5,321,992	82,636,009	88,136,426	5,321,992	82,814,434
Fuel Cost Escalation							
Non-Fuel Cost Escalation		3,708,385	222,078	3,486,307	3,717,306	222,113	3,495,193
Total Operating Expense		91,666,386	5,544,070	86,122,316	91,853,732	5,544,106	86,309,627
Operating Profit or (Loss)		(42,379,752)	369,255	(42,749,007)	(41,265,898)	369,219	(41,635,118)
Interest Expense		2,624,047	158,705	2,465,342	2,629,410	158,706	2,470,704
Taxable Income		(45,003,799)	210,550	(45,214,349)	(43,895,308)	210,514	(44,105,822)
Income Tax @34%		(15,301,292)	71,587	(15,372,879)	(14,924,405)	71,575	(14,995,979)
Net Income after Income Tax		(29,702,507)	138,963	(29,841,470)	(28,970,903)	138,939	(29,109,842)
Return							
Investment		64,400,713	3,889,607	60,511,106	64,487,373	3,886,637	60,600,736
Return on Investment		(27,078,461)	297,668	(27,376,128)	(26,341,494)	297,645	(26,639,138)
% Return		-42.0%	7.7%	-45.2%	-40.8%	7.7%	-44.0%

# **United's Latin American Nonscheduled Passenger Combination Service Traffic and Capacity Statistics**

Fiscal Year Ended June 30, 2001

	Aircraft Type				All Types
	B-757	B-767	A-320/319	B-777	TOTAL
Total Revenue Block Hours					
Scheduled	6,013	39,320	22,172	17,250	84,755
Charter	5,911	38,871	22,077	16,850	83,709
	101	449	96	400	1,045
Revenue Aircraft Departures					
Scheduled	1,780	5,347	5,566	1,984	14,677
Charter	1,750	5,286	5,542	1,938	14,516
	30	61	24	46	161
Gross Ton Departures					
Available Ton Departures :	3,450	12,078	1,920	20,010	37,458
Passenger compartment	450	1,012	272	1,047	2,782
Cargo compartment	285	1,289	157	1,386	3,116
Total	735	2,301	430	2,433	5,898
Revenue Aircraft Miles					
Available Seat Miles (000)	51,655	12,553	43,016	15,158	122,382
Available Ton Miles (000):	9,390	2,473	5,907	4,285	22,055
Passenger compartment	1,266	473	773	803	3,315
Cargo compartment	776	208	488	345	1,817
Total	490	265	282	457	1,494
Seats Per Aircraft	1,266	473	770	802	3,311
Available Tons Per Aircraft	182	201	138	276	
Revenue Passenger Miles (000)	25	38	18	53	
Revenue Ton Miles (000)	7,393	2,755	4,478	3,409	18,035
U.S. Mail	738	257	236	339	1,571
Foreign Mail					
Freight					
Total Mail and Freight					
Baggage at 35 lbs. per passenger	129	48	78	60	316
Total Baggage Mail and Freight	129	48	78	60	316
Passengers at 165 lbs. per passenger	610	227	369	281	1,488
Total Revenue Ton Miles	739	276	448	341	1,804
Seat Factor (%)	78.7%	111.4%	75.8%	79.6%	81.8%
Overall Ton Mile Load Factor (%)	58.4%	58.2%	58.1%	42.5%	54.5%
Cargo Compartment Load Factor (%)	26.4%	18.2%	27.8%	13.1%	21.1%

# **United's Latin American Scheduled Passenger Combination Service Traffic and Capacity Statistics**

Fiscal Year Ended June 30, 2001

	Aircraft Type				All Types
	B-757	B-767	A-320/319	B-777	TOTAL
Total Revenue Block Hours	6,013	39,320	22,172	17,250	84,755
Scheduled	5,911	38,871	22,077	16,850	83,709
Charter	101	449	96	400	1,045
Revenue Aircraft Departures	1,780	5,347	5,566	1,984	14,677
Scheduled	1,750	5,286	5,542	1,938	14,516
Charter	30	61	24	46	161
Gross Ton Departures	201,250	1,046,628	443,360	529,074	2,220,312
Available Ton Departures :					
Passenger compartment	26,276	87,710	62,914	44,114	221,013
Cargo compartment	16,599	111,657	36,348	58,385	222,989
Total	42,875	199,367	99,261	102,498	444,001
Revenue Aircraft Miles	2,557,257	18,770,551	9,301,289	868,2676	39,311,773
Available Seat Miles (000)	465,421	3,775,290	1,279,886	239,5519	7,916,116
Available Ton Miles (000):	62,653	707,990	166,590	459,215	1,396,408
Passenger compartment	38,396	311,457	105,590	197,639	653,082
Cargo compartment	24,257	396,493	61,003	261,577	743,330
Total	62,653	707,950	166,593	459,216	1,396,412
Seats Per Aircraft	182	201	138	276	201
Available Tons Per Aircraft	25	38	18	53	36
Revenue Passenger Miles (000)	353,442	2,537,543	974,471	1,661,523	5,526,979
Revenue Ton Miles (000)	36,568	384,020	104,008	255,443	780,038
U.S. Mail	30	13,347	689	1,752	15,818
Foreign Mail					
Freight	1,194	117,045	5,871	87,707	211,818
Total Mail and Freight	1,224	130,392	6,561	89,459	227,636
Baggage at 35 lbs. per passenger	6,185	44,407	17,053	29,077	96,722
Total Baggage Mail and Freight	7,409	174,799	23,614	118,536	324,358
Passengers at 165 lbs. per passenger	29,159	209,347	80,394	137,076	455,976
Total Revenue Ton Miles	36,568	384,147	104,008	255,611	780,334
Seat Factor (%)	75.9%	67.2%	76.1%	69.4%	69.8%
Overall Ton Mile Load Factor (%)	58.4%	54.3%	62.4%	55.7%	55.9%
Cargo Compartment Load Factor (%)	30.5%	44.1%	38.7%	45.3%	43.6%
"Wetted Volume" Available Space Basis					
-----					
Cargo compartment capacity as a % of total aircraft capacity	15.0%	25.5%	17.0%	23.4%	
Assigned Mail and Freight					
-----					
Cargo compartment ATM (000) 1/					428,693
Share of cargo compartment capacity (%)					57.7%
Share of total aircraft capacity (%)	8.6%	14.7%	9.8%	13.5%	13.7%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)					

## United's Latin American Division Unit Costs

Fiscal Year Ended June 30, 2001

	Aircraft Type			
<u>Direct Operating Costs</u>	B-757	B-767	A-320/319	B-777
(Per Revenue Block Hour)				
Fuel and Oil	\$1,076	\$1,312	\$783	\$1,933
Rental	\$443	\$832	\$265	\$104
Cockpit Crew 1/	\$945	\$1,268	\$926	\$1,417
Other Flying Operations	\$25	\$33	\$20	\$54
Maintenance Flight	\$907	\$1,072	\$636	\$989
Depreciation and Capital Leases	\$251	\$309	\$167	\$750
Total Aircraft Operating Expense	\$3,647	\$4,825	\$2,796	\$5,247
1/ Includes training, taxes and benefits.				
<u>Indirect Operating Expense</u>				
Ground Property and Equipment				
Maintenance	3.53	per gross ton departure		
Depreciation	4.27	per gross ton departure		
Passenger Service				
Salaries, Personnel exp., Benefits, Pensions, Payroll	8.71	per available seat mile (000)		
Other Passenger Service	8.80	per revenue passenger mile (000)		
Aircraft Servicing				
Aircraft Servicing	7.31	per gross ton departure		
Aircraft Control	385	per total block hour		
Landing Fees	6.75	per gross ton departure		
Traffic Servicing				
Assigned to Passenger	127.95	per passenger cabin available ton departure		
Assigned to Cargo	126.54	per cargo compartment available ton departure		
Other Traffic Servicing		per total available ton departure		
Promotion and Sales				
Passenger Commissions	9.67%	passenger revenue		
Property Commissions	7.07%	property revenue		
Other Reservations and Sales-Passenger	1.48	per (000) RPMS		
Other Reservations and Sales-Cargo	4.34	per (000) freight RTMS		
Advertising and Publicity				
Passenger	3.19%	passenger, revenue in sched. services		
Cargo	2.38%	property, revenue in sched. services		
General and Administrative	637	per total block hour		
Amortization other than flight equipment	35	per total block hour		
Transport Related Expense	5.68%	passenger, and freight revenue in sched. services		

**United's Latin American Scheduled Passenger Combination Service Traffic and Capacity Statistics**

Forecast Year September 2003

	Aircraft Type				All Types	
	B-757	B-767	A-320/319	B-777	TOTAL	
Total Block Hours	B-757	B-767	A-320/319	B-777	TOTAL	
Scheduled	3,006	39,320	27,716	15,525	85,566	
Charter	2,956	38,871	27,596	15,165	84,588	
	51	449	120	360	979	
Revenue Aircraft Departures						
Scheduled	890	5,347	6,958	1,786	14,980	
Charter	875	5,286	6,928	1,744	14,833	
	15	61	30	41	147	
Gross Ton Departures						
Available Ton Departures :	100,625	1,046,628	554,200	476,167	2,177,620	
Passenger compartment	13,138	87,710	78,642	39,702	219,192	
Cargo compartment	8,300	111,657	45,434	52,546	217,937	
Total	21,438	199,367	124,076	92,249	437,129	
Revenue Aircraft Miles						
Available Seat Miles (000)	1,278,629	18,770,551	11,626,611	7,814,408	39,490,199	
Available Ton Miles (000):	232,711	3,775,290	1,599,858	2,155,967	7,763,825	
Passenger compartment	31,326	707,950	208,238	413,293	1,360,808	
Cargo compartment	19,198	311,457	131,987	177,875	640,517	
Total	12,128	396,493	76,254	235,419	720,295	
Seats Per Aircraft	31,326	707,950	208,241	413,294	1,360,812	
Available Tons Per Aircraft	182	201	138	276		
Revenue Passenger Miles (000)	25	38	18	53		
Revenue Ton Miles (000)	176,721	2,537,543	1,218,089	1,495,371	5,427,723	
U.S. Mail	15	13,347	862	1,576	15,800	
Foreign Mail						
Freight	597	117,045	7,339	78,937	203,918	
Total Mail and Freight	612	130,392	8,201	80,513	219,718	
Baggage at 35 lbs. per passenger	3,093	44,407	21,317	26,169	94,985	
Total Baggage Mail and Freight	3,705	174,799	29,517	106,682	314,703	
Passengers at 165 lbs. per passenger	14,579	209,347	100,492	123,368	447,787	
Total Revenue Ton Miles	18,284	384,147	130,010	230,050	762,490	
Seat Factor (%)	75.9%	67.2%	76.1%	69.4%	69.9%	
Overall Ton Mile Load Factor (%)	58.4%	54.3%	13.3%	55.7%	56.0%	
Cargo Compartment Load Factor (%)	30.5%	44.1%	38.7%	45.3%	43.7%	
"Wetted Volume" Available Space Basis						
Cargo compartment capacity as a % of total aircraft capacity	15.0%	25.5%	17.0%	23.4%		
Assigned Mail and Freight						
Cargo compartment ATM (000) 1 /					413,782	
Share of cargo compartment capacity (%)					57.4%	
Share of total aircraft capacity (%)	8.6%	14.6%	9.8%	13.5%	13.6%	
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)						

# United's U.S.-Pacific Service Financial Results by Product Line

Fiscal Year Ended June 30, 2001

## U.S. Scheduled Service Financial Results

Operating Revenue	Total Pacific Form 41	Exclusion 1/	Total	Passenger	Cargo	Mail	Freight
Passenger	\$2,541,027,000		\$2,541,027,000	\$2,541,027,000			
Mail	44,067,000		44,067,000		\$44,067,000		
Freight	297,332,000		297,332,000				\$297,332,000
Excess Baggage	4,905,000		4,905,000	4,905,000			
Charter-Passenger	318,000	\$318,000					
-Property							
Other Transport	14,744,000	1,652	14,742,348	13,198,015	1,544,333		1,544,333
Transport Related Revenues	293,412,000	32,873	293,379,127	262,646,227	30,732,900		30,732,900
Total Operating Revenues	3,195,805,000	352,525	3,195,452,475	2,821,776,242	373,676,233	44,067,000	329,609,233
Operating Expense							
Fuels	541,921,000		541,921,000	476,405,473	65,515,527	7,924,752	57,590,775
Rentals - Flight	200,352,000		200,352,000	171,484,252	28,867,748	3,491,840	25,375,908
Flight Personnel	396,591,000		396,591,000	342,313,393	54,277,607	6,565,414	47,712,192
Other Flying Operations	12,673,000		12,673,000	11,263,009	1,409,991	170,552	1,239,439
Maintenance - Flight	294,126,000		294,126,000	256,740,154	37,385,846	4,522,188	32,863,657
Maintenance - Ground	21,437,000		21,437,000	18,288,847	3,148,153	380,800	2,767,353
Passenger Service	519,747,000	18,814	519,728,186	519,728,186	-	-	-
Aircraft and Traffic Servicing	367,411,000		367,411,000	293,945,700	73,465,300	8,886,356	64,578,944
Promotion and Sales	545,802,000	50,588	545,751,412	514,763,917	30,987,495	-	30,987,495
General and Administrative	131,308,000		131,308,000	112,024,624	19,283,376	2,332,515	16,950,861
Depreciation/Amortization - Flight	128,365,000		128,365,000	108,198,873	20,166,127	2,439,293	17,726,834
Depreciation/Amortization - Ground	35,627,000		35,627,000	30,394,959	5,232,041	632,867	4,599,174
Amortization - Preoperating Costs	11,230,000		11,230,000	9,580,806	1,649,194	199,486	1,449,707
Transport Related Expense	166,873,000	18,694	166,854,306	149,375,501	17,478,805	2,114,235	15,364,571
Total with Historic Costs	3,373,463,000	88,096	3,373,374,904	3,014,507,694	358,867,210	39,660,300	319,206,910
Fuel Cost Escalation							
Non-Fuel Cost Escalation							
Total Operating Expense	3,373,463,000	88,096	3,373,374,904	3,014,507,694	358,867,210	39,660,300	319,206,910
Operating Profit or (Loss)	(177,658,000)	264,429	(177,922,429)	(192,731,452)	14,809,022	4,406,700	10,402,322
Interest Expense	39,578,000	1,034	39,576,966	35,366,680	4,210,287	465,301	3,744,986
Taxable Income	(217,236,000)	263,396	(217,499,396)	(228,098,131)	10,598,736	3,941,399	6,657,337
Income Tax @ 34%	(73,860,240)	89,555	(73,949,795)	(77,553,365)	3,603,570	1,340,076	2,263,494
Net Income after Income Tax	(143,375,760)	173,841	(143,549,601)	(150,544,767)	6,995,166	2,601,323	4,393,842
Return							
Investment	2,309,065,459	49,976	2,309,015,483	2,063,181,692	245,833,790	27,036,922	218,796,869
Return on Investment	(103,797,760)	174,875	(103,972,635)	(115,178,087)	11,205,452	3,066,624	8,138,828
% Return	-4.5%	349.9%	-4.5%	-5.6%	4.6%	11.3%	3.7%

1/ Charter.

**United's Pacific Scheduled Combination Service Financial Results**

Forecast Year Ending September 30, 2003

Present Rates				Proposed Rates			
Operating Revenue		Cargo	Mail	Freight	Cargo	Mail	Freight
Mail	\$42,243,106	\$42,243,106			\$42,243,106		
Freight	258,097,868			\$258,097,868	267,459,611		\$267,459,611
Excess Baggage							
Charter-Passenger							
-Property							
Other Transport	1,340,552			1,340,552	1,389,177		1,389,177
Transport Related Revenues	26,677,572			26,677,572	27,645,223		27,645,223
Total Operating Revenues	328,359,098	42,243,106		286,115,992	338,737,116	42,243,106	296,494,011
Operating Expense							
Fuels	53,873,263	8,239,934		45,633,329	53,873,263	8,221,731	45,651,532
Rentals - Flight	19,051,624	2,913,952		16,137,671	19,051,624	2,907,515	16,144,109
Flight Personnel	38,598,918	5,903,717		32,695,200	38,598,918	5,890,675	32,708,242
Other Flying Operations	1,274,931	195,001		1,079,930	1,274,931	194,570	1,080,360
Maintenance - Flight	28,955,307	4,428,724		24,526,583	28,955,307	4,418,940	24,536,367
Maintenance - Ground	2,128,079	325,490		1,802,589	2,128,079	324,771	1,803,308
Passenger Service							
Aircraft and Traffic Servicing	59,407,463	9,086,392		50,321,072	59,407,463	9,066,319	50,341,145
Promotion and Sales	26,898,572			26,898,572	27,704,893		27,704,893
General and Administrative	13,065,258	1,998,336		11,066,923	13,065,258	1,993,921	11,071,337
Depreciation/Amortization - Flight	12,388,156	1,894,773		10,493,384	12,388,156	1,890,587	10,497,570
Depreciation/Amortization - Ground	3,536,740	540,945		2,995,794	3,536,740	539,750	2,996,989
Amortization - Preoperating Costs	1,117,395	170,906		946,489	1,117,395	170,528	946,866
Transport Related Expense	15,172,408	2,320,625		12,851,783	15,722,743	2,399,486	13,323,256
Total with Historic Costs	275,468,114	38,018,795		237,449,319	276,824,769	38,018,795	238,805,974
Fuel Cost Escalation							
Non-Fuel Cost Escalation	11,079,743	1,488,943		9,590,799	11,147,575	1,489,853	9,657,722
Total Operating Expense	286,547,857	39,507,738		247,040,119	287,972,345	39,508,648	248,463,696
Operating Profit or (Loss)	41,811,241	2,735,367		39,075,874	50,764,772	2,734,457	48,030,314
Interest Expense	3,361,825	463,511		2,898,314	3,378,537	463,522	2,915,015
Taxable Income	38,449,417	2,271,856		36,177,560	47,386,235	2,270,936	45,115,299
Income Tax @34%	13,072,802	772,431		12,300,370	16,111,320	772,118	15,339,202
Net Income after Income Tax	25,376,615	1,499,425		23,877,190	31,274,915	1,498,818	29,776,097
Return							
Investment	195,417,461	26,778,440		168,639,020	196,046,938	26,722,308	169,324,631
Return on Investment	28,738,440	1,962,936		26,775,503	34,653,452	1,962,339	32,691,113
% Return	14.7%	7.3%		15.9%	17.7%	7.3%	19.3%

# United's Pacific Nonscheduled Passenger Combination and All-Cargo Service Traffic and Capacity Statistics

Fiscal Year Ended June 30, 2001				
	Aircraft Type		All Types	
	B-747	DC-10-30F	B-777	TOTAL
Total Revenue Block Hours	172,171	4,305	20,973	197,449
Scheduled	172,171	4,305	20,973	197,449
Charter				
Revenue Aircraft Departures	17,711	687	2,287	20,685
Scheduled	17,711	687	2,287	20,685
Charter				
Gross Ton Departures				
Available Ton Departures :				
Passenger compartment				
Cargo compartment				
Total				
Revenue Aircraft Miles	2,194			2,194
Available Seat Miles (000)	1,132			1,132
Available Ton Miles (000):	177			177
Passenger compartment	66			66
Cargo compartment	75			75
Total	141			141
Seats Per Aircraft	365			
Available Tons Per Aircraft	64			
Revenue Passenger Miles (000)	1,105			1,105
Revenue Ton Miles (000)	112			112
U.S. Mail				
Foreign Mail				
Freight				
Total Mail and Freight				
Baggage at 35 lbs. per passenger	19			19
Total Baggage Mail and Freight	19			19
Passengers at 165 lbs. per passenger	91			91
Total Revenue Ton Miles	111			111
Seat Factor (%)	97.6%			97.6%
Overall Ton Mile Load Factor (%)	78.4%			78.4%
Cargo Compartment Load Factor (%)	25.8%			25.8%



**United's Pacific Scheduled Passenger Combination and All-Cargo Service Traffic and Capacity Statistics**

Fiscal Year Ended June 30, 2001				
	Aircraft Type			All Types
	B-747	DC-10-30F	B-777	TOTAL
Total Revenue Block Hours	172,171	4,305	20,973	197,449
Scheduled	172,171	4,305	20,973	197,449
Charter				
Revenue Aircraft Departures	17,711	687	2,287	20,685
Scheduled	17,711	687	2,287	20,685
Charter				
Gross Ton Departures	7,704,285	196,482	624,351	8,525,118
Available Ton Departures :				
Passenger compartment	533,347		51,945	585,292
Cargo compartment	604,892	54,479	69,266	728,638
Total	1,138,240	54,479	121,211	1,313,930
Revenue Aircraft Miles	88,413,395	2,093,628	10,517,449	101,024,472
Available Seat Miles (000)	32,272,063		2,895,545	35,167,608
Available Ton Miles (000):	5,682,062	166,025	557,425	6,405,512
Passenger compartment	2,662,473		238,882	2,901,355
Cargo compartment	3,019,625	166,025	318,542	3,504,192
Total	5,682,098	166,025	557,425	6,405,547
Seats Per Aircraft	365		275	348
Available Tons Per Aircraft	64	79	53	63
Revenue Passenger Miles (000)	23,388,340		2,073,559	25,461,899
Revenue Ton Miles (000)	3,150,833		305,910	3,456,743
U.S. Mail	92,140	1,646	12,749	106,536
Foreign Mail				
Freight	720,364	97,671	85,877	903,912
Total Mail and Freight	812,504	99,317	98,626	1,010,448
Baggage at 35 lbs. per passenger	409,296		36,287	445,583
Total Baggage Mail and Freight	1,221,800	99,317	134,914	1,456,031
Passengers at 165 lbs. per passenger	1,929,538		171,069	2,100,607
Total Revenue Ton Miles	3,151,338	99,317	305,982	3,556,637
Seat Factor (%)	72.5%	N/A	71.6%	72.4%
Overall Ton Mile Load Factor (%)	55.5%	59.8%	54.9%	55.5%
Cargo Compartment Load Factor (%)	40.5%	59.8%	42.4%	41.6%
<u>"Wetted Volume" Available Space Basis</u>				
Cargo compartment capacity as a % of total aircraft capacity	20.0%	100.0%	23.4%	
<u>Assigned Mail and Freight</u>				
Cargo compartment ATM (000) 1/				1,715,877
Share of cargo compartment capacity combination service (%)				51.4%
Share of total aircraft capacity (%)	10.3%	100.0%	12.0%	14.7%
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-7-17 in the international mail rate investigation (Docket 26487)				

## United's Pacific Division Unit Costs

Fiscal Year Ended June 30, 2001

	Aircraft Type		
<u>Direct Operating Costs</u>	B-747	DC-10-30F	B-777
(Per Revenue Block Hour)			
Fuel and Oil	\$2,849	\$2,358	\$1,967
Rental	\$1,111	\$2,145	(\$11)
Cockpit Crew 1/	\$2,075	\$3,390	\$1,179
Other Flying Operations	\$67	\$23	\$49
Maintenance Flight	\$1,555	\$1,769	\$896
Depreciation and Capital Leases	\$609	\$1,733	\$769
Total Aircraft Operating Expense	\$8,266	\$11,418	\$4,850
1/ Includes training, taxes and benefits.	\$8,266	\$11,418	\$4,850
<u>Indirect Operating Expense</u>			
Ground Property and Equipment			
Maintenance		2.51 per gross ton departure	
Depreciation		4.18 per gross ton departure	
Passenger Service			
Salaries, Personnel exp., Benefits, Pensions, Payroll Tax		9.49 per available seat mile (000)	
Other Passenger Service		7.30 per revenue passenger mile (000)	
Aircraft Servicing			
Aircraft Servicing		8.32 per gross ton departure	
Aircraft Control		256 per total block hour	
Landing Fees		9.84 per gross ton departure	
Traffic Servicing			
Assigned to Passenger		133.05 per passenger cabin available ton departure	
Assigned to Cargo		115.67 per cargo compartment available ton departure	
Other Traffic Servicing		per total available ton departure	
Promotion and Sales			
Passenger Commissions		10.98% passenger revenue	
Property Commissions		6.09% property revenue	
Other Reservations and Sales-Passenger		0.93 per (000) RPMS	
Other Reservations and Sales-Cargo		5.95 per (000) freight RTMS	
Advertising and Publisity			
Passenger		4.60% passenger, revenue in sched. services	
Cargo		2.52% property, revenue in sched. services	
General and Administrative		665 per total block hour	
Amortization other than flight equipment		57 per total block hour	
Transport Related Expense		5.88% passenger, and freight revenue in sched. services	

Forecast Year Ending September 30, 2003

	Aircraft Type		All Types
	B-747	B-777	TOTAL
Total Block Hours	167,007	20,973	187,980
Scheduled	167,007	20,973	187,980
Charter			
Revenue Aircraft Departures			
Scheduled	17,180	2,287	19,467
Charter	17,180	2,287	19,467
Gross Ton Departures			
Available Ton Departures :	7,473,231	624,351	8,097,582
Passenger compartment	517,352	51,945	569,297
Cargo compartment	588,751	69,266	656,018
Total	1,104,104	121,211	1,225,315
Revenue Aircraft Miles			
Available Seat Miles (000)	85,761,851	10,517,449	96,279,300
Available Ton Miles (000)	31,304,214	2,895,545	34,199,759
Passenger compartment	5,511,655	557,425	6,069,080
Cargo compartment	2,582,624	238,882	2,821,507
Total	2,929,066	318,542	3,247,608
Seats Per Aircraft	365	275	6,069,115
Available Tons Per Aircraft	64	53	
Revenue Passenger Miles (000)	22,686,917	2,073,559	24,760,476
Revenue Ton Miles (000)			
U.S. Mail	89,377	12,749	102,126
Foreign Mail			
Freight	698,760	85,877	784,637
Total Mail and Freight	788,137	98,626	886,763
Baggage at 35 lbs. per passenger	397,021	36,287	433,308
Total Baggage Mail and Freight	1,185,158	134,914	1,320,072
Passengers at 165 lbs. per passenger	1,871,671	171,069	2,042,739
Total Revenue Ton Miles	3,056,829	305,982	3,362,811
Seat Factor (%)	72.5%	71.6%	72.4%
Overall Ton Mile Load Factor (%)	55.5%	54.9%	55.4%
Cargo Compartment Load Factor (%)	40.5%	42.4%	40.6%
"Wetted Volume" Available Space Basis			
Cargo compartment capacity as a % of total aircraft capacity	20.0%	23.4%	
Assigned Mail and Freight			
Cargo compartment ATM (000) 1/			1,669,988 *
Share of cargo compartment capacity combination service (%)			51.4% *
Share of total aircraft capacity (%)	10.3%	12.0%	10.5% *
1/ Based on load factor standard of 53.1% per CAB Orders 78-12-159 and 79-1 in the international mail rate investigation (Docket 26487)			

**UNITED AIRLINES INVESTMENT BASE**

UNITED - SYSTEM		<u>2nd 00</u>	<u>3rd 00</u>	<u>4th 00</u>	<u>1st 01</u>	<u>2nd 01</u>
1	1899 : TOTAL ASSETS	\$23,095,577,000	\$23,812,212,000	\$25,069,361,000	\$25,345,793,000	\$25,594,685,000
2	1599 : TOTAL INVESTMENTS AND SPECIAL FUNDS	\$1,986,755,000	\$1,821,530,000	\$2,019,749,000	\$2,185,025,000	\$2,934,607,000
3	1685 : OPERATING EQUIP PURCHASE DEPOSIT + ADVANCE PAYMNT	\$864,932,000	\$691,754,000	\$809,840,000	\$806,116,000	\$746,163,000
4	1799 : TOTAL NONOPERATING PROPERTY AND EQUIPMENT	\$135,513,000	\$119,129,000	\$167,974,000	\$202,432,000	\$206,774,000
5	2000 : CURRENT MATURITIES OF LONG-TERM DEBT	\$278,541,000	\$303,599,000	\$325,617,000	\$330,197,000	\$804,958,000
6	2080 : CURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$205,537,000	\$228,275,000	\$268,387,000	\$252,365,000	\$268,636,000
7	2210 : LONG-TERM DEBT	\$2,553,836,000	\$3,022,243,000	\$4,687,913,000	\$4,860,111,000	\$4,521,160,000
8	2240 : ADVANCES FROM ASSOCIATED COMPANIES		\$52,213,000	\$52,213,000	\$52,213,000	\$52,213,000
9	2280 : NONCURRENT OBLIGATIONS UNDER CAPITAL LEASES	\$2,201,939,000	\$2,159,027,000	\$2,261,268,000	\$2,157,145,000	\$2,060,967,000
10	2290.9 : OTHER NONCURRENT LIABILITIES	\$2,998,402,000	\$3,043,593,000	\$2,891,571,000	\$2,816,822,000	\$2,943,569,000
10.1	2299 : TOTAL NONCURRENT LIABILITIES	\$7,880,179,000	\$8,277,076,000	\$10,028,813,000	\$10,107,913,000	\$9,884,305,000
11	2995 : NET STOCKHOLDERS' EQUITY	\$5,965,637,000	\$5,704,156,000	\$5,652,836,000	\$5,288,433,000	\$5,125,657,000
12	TOTAL OPERATING EXPENSE	\$4,446,401,000	\$4,945,291,000	\$4,952,962,000	\$4,845,800,000	\$5,003,020,000
13	TRANSPORT RELATED EXPENSE	\$196,251,000	\$279,167,000	\$308,938,000	\$306,548,000	\$344,128,000
14	TRANSPORT OPERATING EXPENSE (12-13)	\$4,250,150,000	\$4,666,124,000	\$4,644,024,000	\$4,539,252,000	\$4,658,892,000
15	NET RECOGNIZED ASSETS(1)-(2+3+4)	\$20,108,377,000	\$21,179,799,000	\$22,071,798,000	\$22,152,220,000	\$21,707,141,000
16	RECOGNIZED ASSETS AS A % OF TOTAL ASSETS (15/1)	87.1%	88.9%	88.0%	87.4%	84.8%
17	TOTAL DEBT (5+6+7+8+9+10)	\$8,238,255,000	\$8,808,950,000	\$10,486,969,000	\$10,468,853,000	\$10,651,503,000
18	TOTAL INVESTMENT (17+11)	\$14,203,892,000	\$14,513,106,000	\$16,139,805,000	\$15,757,286,000	\$15,777,160,000
19	DEBT AS A % OF INVESTMENT (17/18)	58.0%	60.7%	65.0%	66.4%	67.5%
20	TRANSPORT INVESTMENT (16 X 18)	\$12,366,749,495	\$12,908,698,610	\$14,209,955,959	\$13,771,866,048	\$13,380,787,328
21	TRANSPORT INVESTMENT AS A % TRANSPORT OPERATING EXP. (20/14)	2.91	2.77	3.06	3.03	2.87
	DEBT/EQUITY	1.38	1.54	1.86	1.98	2.08

FIVE QUARTERS OF TRANSPORT INVESTMENT AS A PER CENT OF	72.01%
ANNUAL OPERATING EXPENSE	